

Implementation Statement – DC assets

16 January 2025



1. Background

This Statement has been prepared by the Trustee of the Zurich Financial Services UK Pension Scheme (“the Scheme”) to demonstrate how, and the extent to which, the policies relating to stewardship and engagement in the Scheme’s DC Statement of Investment Principles (“DC SIP”) have been implemented in the year ending 30 June 2024.

The document has been prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and will be included in the Scheme’s Report and Accounts and published on www.zpen.info.

The DC SIPs in force during the Scheme year ended 30 June 2024 were prepared in accordance with all relevant legislation in force at the date of the approvals. The DC SIP outlines the principles and policies governing investment decisions made by, or on behalf of the Trustee for the management of the DC assets 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

During the year ended 30 June 2024, the Trustee took account of Department for Work and Pensions (“DWP”) guidance, issued in June 2022, on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement. This reflects the Trustee’s commitment to evolving best practice on stewardship and demonstrates greater ownership by the Trustee of their stewardship policy. During the Scheme Year, the DC SIP was amended to include:

- The Trustee’s policy on illiquid assets in the default investment arrangements; acknowledging that illiquid assets may have a role to play in the default arrangements but given some of the current complexity around this asset class it was not included as part of the 2023 investment review.
- Setting out the Trustee’s priorities for the stewardship of the DC assets (in accordance with the latest DWP stewardship guidance), which are Climate Change, Diversity, Equality and Inclusions, and Corporate Transparency.
- The Trustee uses an expression of wish form to set out its priorities on voting.

The DC SIP was updated in 2023 and reviewed by the Trustee with the support of its investment adviser, to ensure it continued to comply with all statutory requirements. Following this, the DC SIP was formally approved by the Trustee on 27 September 2023.

This Statement covers the policies included in the DC SIPs during the Scheme year end to 30 June 2024.

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

In the opinion of the Trustee, the policies set out in the DC SIP 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.

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 expected to be suitable for the majority of members who do not wish to make an active choice; and*
- *Aims to protect 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 75% drawdown and 25% cash at retirement; and
2. A lifestyle strategy for members with both DB and DC benefits which targets cash at retirement.

To meet its policies for the default investment arrangements on:

- Expected levels of investment returns;
- 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; and
 - Uses 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; and
 - Is invested in pooled funds which offer daily dealing funds as far as possible to enable members to readily realise and change their investments.

Investment review

The default strategy and the performance of the default arrangement are reviewed at least every three years. The latest comprehensive review was carried out by the DC Committee during 2023, working with the Trustee's DC investment adviser, and ratified by the Trustee at its meeting on 21 December 2023. The work carried out by the Committee included:

- a review of the default strategies and their suitability for the membership:
 - no changes were made to the design of the default strategies, which were considered to be suitable for the membership.
- consideration of the asset allocation within each stage of the default strategies including asset classes, UK, overseas and emerging market equities and the use of currency hedging:
 - the Trustee decided to move away from a fixed proportion of the fund being held in UK equities and to continue including emerging market equities and a proportion of currency hedging in Z Growth Fund.
 - considered an actively managed bond fund for Z Cautious Growth Fund as this would provide additional flexibility for the manager, given the impact on bond funds of the recent economic conditions and interest rate movements.
- consideration of the most appropriate way of incorporating responsible investment into the default arrangements.
 - noting that Z Growth Fund had high exposure to carbon-intense companies and did not explicitly take ESG or climate change risks into account.
 - considering a number of options for Z Growth Fund, including both low carbon and net zero and a combination of both.
 - noting that to achieve net zero many investment funds reduce their carbon footprint as much as possible and then purchase carbon credits to offset the remainder, which can add to the costs of the fund without adding to the investment performance.

As a result of the review of the default investment arrangements the following changes were made in May 2024:

- Z Growth Fund is now 100% invested in a low carbon global equity fund with a net zero target, and hedges 50% of its currency exposure.
- Z Cautious Growth Fund is invested:
 - 55% in the low carbon global equity fund used in Z Growth Fund
 - 45% in an actively managed global bond fund which includes carbon targets and a commitment to net zero.

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 invest their savings appropriately according to their own beliefs and requirements.
- 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 real growth whilst members are some years from retirement;
 2. in the period approaching retirement aim to protect the value of members' retirement income as well as protecting members from volatility; and
 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 growth over the long term;
 3. are 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 membership that have ethical or religious beliefs or want to invest more responsibly; and
 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 climate focussed 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 climate focussed 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 that gradually moves its investments to firms with a lower carbon footprint.
 - has a range of funds aiming to provide longer term growth including equity, property and mixed asset funds.
 - includes access to both active and passively managed funds.

The Trustee reviews the self-select fund range at least every three years. The latest comprehensive review was carried out by the DC Committee during 2023, working with the Trustee's DC investment adviser, and ratified by the Trustee at its meeting on 21 December 2023 with:

- The introduction of a low carbon fund in Z Growth Fund, the self-select fund range included a number of responsible investment equity funds. To simplify the member choice, it was decided to close the LGIM FTSE4Good Developed Equity Index (previously the L&G Ethical Fund) to new contributors.
- A carbon neutral fund will be added to the self-select fund range in 2025.
- The LGIM FTSE4Good Developed Equity Index being closed to new contributors from May 2024. Members already contributing to this fund can continue doing so.

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.

The DC SIP outlines the Trustee's principles and policies for choosing investments and the kind of investments to be held. In selecting investments, the Trustee obtains and considers written advice from a regulated investment adviser.

The Trustee completed its most recent performance and strategy review of the DC default arrangements in December 2023. 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 risk requirements.

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 has put in place a structure both to monitor these risks and take action to mitigate them when it believes it is appropriate to do so. It is not possible to mitigate all of the risks at the same time, so members are encouraged to consider the risks that are most relevant to them and to invest to mitigate those risks. 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 mainly passively managed to reduce the risk of under-performance relative to stated benchmarks.
 - cover different asset classes to allow members to diversify risks. 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 positive 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 2023, 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 main benefit income 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.
- has confirmed with Scottish Widows that it has floating charges in place with all the investment managers it uses.

Policy on responsible investment

As a long-term investor, the Trustee has agreed that the Scheme should be an active responsible investor. The Trustee has agreed four responsible investment principles:

- We believe that incorporating ESG factors into investment decisions improves long term risk-adjusted returns.
- We take a pragmatic approach to responsible investments – we focus on what matters most.
- We note Zurich Group's strategy and will leverage its global resources where it makes sense.
- We will evolve our responsible investment approach over time – and acknowledge that we will never be done.

The Trustee continued its focus on climate change risks and opportunities in the Scheme Year as part of the review of the default investment arrangements. In recognising that pensions are a long-term investment and that climate change and the transition to a lower carbon economy could have a material impact on member outcome over the short, medium and long term. It also believes that climate change is important to many of its members. It has therefore agreed to use investment funds which takes these factors into account:

- The LGIM Low Carbon Transition Global Equity Fund used in both Z Growth Fund and Z Cautious Growth Fund aims to reduce its carbon intensity by 70% as a step on the path to achieve net zero by 2050.
- The Wellington Global Credit ESG Fund has incorporated carbon targets into its investment strategy which demonstrates the fund managers commitment to net zero.

The Trustee publishes a TCFD report on an annual basis, describing governance, strategy, metrics and targets and risk management of climate change risks and opportunities. The TCFD report can be found in the Library on the Scheme Website www.zpen.info.

Selecting managers: the Trustee considered responsible investment as part of its investment review in 2023, 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.
- the Trustee took into account the way Wellington has a dedicated ESG research team and explicitly incorporates ESG factors into its fundamental credit research alongside incorporating material environmental and social factors into its risk analysis.

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. However, LGIM agreed to attend the DC Committee meeting on 4 June 2024.

Meeting with LGIM

Representatives from LGIM attended the DC Committee meeting on 4 June 2024 and presented on how LGIM carries out its engagement and stewardship responsibilities including:

- The structure of LGIM's stewardship team
- The 6 super-themes it uses and the underlying sub-themes, explaining that the sub-themes can change, with new ones being added recently, but the super-themes are not expected to. These themes and sub-themes are used by LGIM to assess companies and award ESG scores. This assessment can also identify areas where LGIM will engage with the company; subsequent improvement in those areas can result in an increased ESG score.
- LGIM's engagement with companies includes being transparent about the ESG assessments and scores, and how LGIM plans to use its vote at shareholder meetings. This transparency helps companies understand why it cast its vote in a certain way and links the voting record back to the stewardship themes.
- LGIM's Climate Impact Pledge and how LGIM uses quantitative data analysis to establish which companies are meeting LGIM's minimum expectations. This analysis is then used to determine whether to disinvest from, or reduce its holdings in, a specific company. LGIM will work with companies to improve their rating against the LGIM Climate Impact Pledge so LGIM will invest in them again.
- LGIM gave some brief examples of how it believed its engagement with companies had led to action and improvement.

The DC Committee were satisfied with LGIM's presentation and noted that LGIM was clearly committed to fulfilling its engagement and stewardship responsibilities.

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 2024 for the Scheme Year to 30 June 2024 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 2024 following the investment review which took place in 2023. 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 the Z Growth Fund. LGIM produces 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 themes 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.

The Trustees considers that stewardship is an important tool for managing risk and improving the financial outcomes of the Scheme. Recognising the broad scope of Responsible Investment, the Trustee has decided to focus its engagements on a few key stewardship themes. The selected themes are believed to increasingly shape the economic and investment landscape.

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 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 global equity fund which targets net zero emissions by 2050.
 - 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.
 - LGIM FTSE4Good Developed Equity Index: 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:

For the period 1 July 2023 – 13 May 2024: Z Growth Fund was invested in the LGIM Global Equity Market Weights (30:70) Index Fund. During this period:

- 3,229 engagement activities were undertaken with 2,487 companies, including conference calls, face to face meetings and in writing.
- 2,050 (63%) of these activities were on Environmental issues of which 1,823 related to climate change.
- 730 (23%) of these activities were on Governance issues of which 173 related to remuneration.
- 305 (9%) of these activities were on Social issues of which 114 related to Diversity
- 144 (5%) of these activities were on other issues including Strategy and Company Disclosures.

For the period 14 May 2024 – 30 June 2024: Z Growth Fund was invested in the LGIM Low Carbon Transition Global Equity Fund. During this period:

- 194 engagement activities were undertaken with 104 companies, including conference calls, face to face meetings and in writing.
- 62 (32%) of these activities were on Environmental issues of which 46 related to climate change.
- 64 (33%) of these activities were on Governance issues of which 2 related to remuneration.
- 27 (14%) of these activities were on Social issues of which 7 related to Diversity
- 41 (21%) 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 2024)	Further information on page:
Z Growth Fund & Z Cautious Growth Fund	1/7/2023 – 13/5/2024: LGIM 30/70 Global equity fund currency hedged	100% Z Growth Fund	80.1%	88-91
	14/5/2024 – 31/30/6/2024: LGIM Low Carbon Transition Global Equity Fund	55% Z Cautious Growth Fund		
LGIM FTSE4Good Developed Equity Index	LGIM FTSE4Good Developed Equity Index	100%	1.2%	91-92
LGIM Future World	LGIM Future World	100%	0.2%	93-95/94
TOTAL			81.5%	

BlackRock	Fund	% of fund assets	% ZCashBuilder assets (@ 30 June 2024)	Further information on page:
BlackRock World ex-UK Equity Index Fund	BlackRock ACS World ex UK Equity Tracker	100%	4.0%	95-96
BlackRock UK Equity Index Fund	BlackRock ACS UK Equity Tracker	100%	1.3%	96-97
TOTAL			5.3%	

Other fund managers	Fund	% of fund assets	% ZCashBuilder assets (@ 30 June 2024)	Further information on page:
HSBC Islamic Fund	HSBC Islamic Global Equity Index Fund	100%	1.2%	97-9998
SW Managed Fund	SW Managed Fund	100%	0.8%	99
TOTAL			2.0%	

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

Manager name: Legal and General Investment Management ZCashBuilder fund name: Z Growth Fund and 55% of Z Cautious Growth Fund	
Total size of fund as at 30 June 2024	£2,726,359,173
Value of ZCashBuilder assets at 30 June 2024 invested in this fund	N/A
Number of equity holdings as at 30 June 2024	4683
Number of meetings eligible to vote	7,288
Number of resolutions eligible to vote	73,092
% of resolutions voted	99.78%
Of the resolutions on which voted, % voted with management	80.66%
Of the resolutions on which voted, % voted against management	18.58%
Of the resolutions on which voted, % abstained from voting	0.76%
Of the meetings in which the manager voted, % with at least one vote against management	61.77%
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	Broadcom Inc	Apple
Date of vote	22 April 2024	28 February 2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.54%	2.73%
Summary of the resolution	Resolution 1g – Elect Director Henry Samueli	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO policy.
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is 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	Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.	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.
Outcome of the vote	Pass	Fail
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.	
On which criteria has this vote been assessed as “most significant”?	Climate Change: LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting companies in climate-critical sectors.	DEI: LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

LGIM Low Carbon Transition Global Equity Index

Manager name: Legal and General Investment Management ZCashBuilder fund name: Z Growth Fund and 55% of Z Cautious Growth Fund	
Total size of fund as at 30 June 2024	£5,050,289,040
Value of ZCashBuilder assets at 30 June 2024 invested in this fund	Z Growth Fund: £470,136,454 Z Cautious Growth Fund: £45,129,738 Total: £515,266,192 80.1% of ZCashBuilder assets
Number of equity holdings as at 30 June 2024	2,829
Number of meetings eligible to vote	4,872
Number of resolutions eligible to vote	47,600
% of resolutions voted	99.75%
Of the resolutions on which voted, % voted with management	78.85%
Of the resolutions on which voted, % voted against management	20.46%
Of the resolutions on which voted, % abstained from voting	0.69%
Of the meetings in which the manager voted, % with at least one vote against management	65.03%
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	Tesla	UnitedHealth Group Incorporated
Date of vote	13 June 2024	3 June 2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.27%	0.70%
Summary of the resolution	Advisory vote to ratify names executive officers' compensation	Resolution 1i: Elect Director John Noseworthy
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is 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.	

	Vote 1	Vote 2
Rationale for the voting decision	Remuneration – Quantum – One-off Awards: A vote against is applied as LGIM believes that the approved remuneration policy should be sufficient to retain and motivate executives. A vote against this proposal is warranted. While most NEOs received modest or no compensation for FY23, one executive was granted an outsized, time-based stock option award upon his promotion, the magnitude and design for which are not adequately explained. The grant does not require the achievement of pre-set performance criteria in order to vest and the value is considered to be excessive.	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.
Outcome of the vote	Pass	N/A
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.	
On which criteria has this vote been assessed as “most significant”?	Corporate Transparency: This resolution is considered significant as it pertains to one of our key stewardship ‘sub-themes’, executive pay.	DEI: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

LGIM FTSE4Good Developed Equity Index

Manager name: Legal and General Investment Management ZCashBuilder fund name: LGIM FTSE4Good Developed Equity Index	
Total size of fund as at 30 June 2024	£1,227m
Value of ZCashBuilder assets at 30 June 2024 invested in this fund	£7.8m 1.20% of ZCashBuilder assets
Number of equity holdings as at 30 June 2024	1,117
Number of meetings eligible to vote	1,187
Number of resolutions eligible to vote	16,699
% of resolutions voted	99.50%
Of the resolutions on which voted, % voted with management	82.04%
Of the resolutions on which voted, % voted against management	17.60%

**Manager name: Legal and General Investment Management
ZCashBuilder fund name: LGIM FTSE4Good Developed Equity Index**

Of the resolutions on which voted, % abstained from voting	0.36%
Of the meetings in which the manager voted, % with at least one vote against management	73.10%
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	Unilever
Date of vote	1 May 2024	1 May 2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.60%	0.32%
Summary of the resolution	Resolution 1.2 – Elect Director James Quincey	Resolution 4: Approve Climate Transition Plan
How you voted	Against	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is 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.	N/A
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 for the CTAP is applied as we understand it to meet LGIM's minimum expectations. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with a 1.5°C Paris goal. Despite the SBTi recently removing their approval of the company's long-term scope 3 target, we note that the company has recently submitted near term 1.5 degree aligned scope 3 targets to the SBTi for validation and therefore at this stage believe the company's ambition level to be adequate. We therefore remain supportive of the net zero trajectory of the company at this stage.

	Vote 1	Vote 2
Outcome of the vote	Pass	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.	
On which criteria has this vote been assessed as “most significant”?	Corporate Transparency:- 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.	Climate Change: 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 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

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 2024	£8,554,046,154
Value of ZCashBuilder assets at 30 June 2024 invested in this fund	£1.3m 0.2% of ZCashBuilder assets
Number of equity holdings as at 30 June 2024	1,401
Number of meetings eligible to vote	1,725
Number of resolutions eligible to vote	22,184
% of resolutions voted	99.55%
Of the resolutions on which voted, % voted with management	80.28%
Of the resolutions on which voted, % voted against management	19.40%
Of the resolutions on which voted, % abstained from voting	0.32%
Of the meetings in which the manager voted, % with at least one vote against management	70.82%
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	Alphabet Inc	Shell
Date of vote	7 June 2024	21 May 2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.03%	0.57%
Summary of the resolution	Resolution 1s: Elect Director John L Hennessy	Resolution 22: Approve the Shell Energy Transition Strategy
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is 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	
Rationale for the voting decision	<p>Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p> <p>Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.</p> <p>Independence: A vote against is applied as LGIM expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background.</p> <p>Independence: A vote against is applied as LGIM expects the Chair of the Board to have served on the board for no more than 15 years and the board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p>	<p>Climate change: A vote against is applied. We acknowledge the substantive progress the company has made in respect of climate related disclosure over recent years, and we view positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, we expect the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, we seek more clarity regarding the expected lifespan of the assets Shell is looking to further 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. Additionally, we would benefit from further transparency regarding lobbying activities in regions where hydrocarbon production is expected to play a significant role, guidance on capex allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shell's decarbonization strategy.</p>

	Vote 1	Vote 2
Outcome of the vote	Pass	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.	
On which criteria has this vote been assessed as "most significant"?	DEI: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.	Climate Change: 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 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

BlackRock World ex-UK Equity Tracker Fund

Manager name: BlackRock ZCashBuilder fund name: BlackRock World ex-UK Equity Index	
Total size of fund as at 30 June 2024	£8,354,650,314
Value of ZCashBuilder assets at 30 June 2024 invested in this fund	£25,291,641 3.8% of ZCashBuilder assets
Number of equity holdings as at 30 June 2024	1,761
Number of meetings eligible to vote	1,908
Number of resolutions eligible to vote	24,543
% of resolutions voted	93%
Of the resolutions on which voted, % voted with management	94%
Of the resolutions on which voted, % voted against management	5%
Of the resolutions on which voted, % abstained from voting	0% (71 proposals)
Of the meetings in which the manager voted, % with at least one vote against management	26%
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	Qantas Airways Limited	Westpac Banking Corp
Date of vote	3 November 2023	15 December 2023
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	Approve Remuneration Report	Approve Transition Plan Assessments
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting. It publishes its voting guidelines to help companies understand its thinking on key governance matters that are commonly put to shareholder vote.	
Rationale for the voting decision	Remuneration arrangements are poorly structured. Remuneration committee discretion has been poorly used.	The request is either not clearly defined, too prescriptive, not in the purview of shareholders or unduly constraining on the company. The Company already has policies in place to address the request being made by the proposal or is already enhancing its relevant policies.
Outcome of the vote	Fail	Withdrawn
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	BlackRock's approach to corporate governance and stewardship is explained in its Global Principles, which describes its philosophy on stewardship, including how it monitors and engages with companies. The high level principles are the framework for its more detailed approach.	
On which criteria has this vote been assessed as "most significant"?	BlackRock periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decision it expects to be of particular interest to its clients.	

BlackRock UK Equity Tracker Fund

Manager name: BlackRock ZCashBuilder fund name: BlackRock UK Equity Index	
Total size of fund as at 30 June 2024	£9,520,678,660
Value of ZCashBuilder assets at 30 June 2024 invested in this fund	£8,367,391 1.3% of ZCashBuilder assets
Number of equity holdings as at 30 June 2024	Not available
Number of meetings eligible to vote	1,055
Number of resolutions eligible to vote	14,456
% of resolutions voted	96%
Of the resolutions on which voted, % voted with management	96%

Manager name: BlackRock
ZCashBuilder fund name: BlackRock UK Equity Index

Of the resolutions on which voted, % voted against management	3%
Of the resolutions on which voted, % abstained from voting	1% (178 proposals)
Of the meetings in which the manager voted, % with at least one vote against management	20%
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	ChemoMetec A/S	
Date of vote	12 October 2023	
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Information not available	
Summary of the resolution	Amend Remuneration Policy	Re-elect Niels Thestrup as Director
How you voted	Against	Abstain
Where you voted against management, did you communicate your intent to the company ahead of the vote?	BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting. It publishes its voting guidelines to help companies understand its thinking on key governance matters that are commonly put to shareholder vote.	
Rationale for the voting decision	Remuneration arrangements are poorly structured. Poor use of remuneration committee discretion regarding the grant of a one-off award.	Nominee serves as Chairman of the board and bears responsibility for a poorly structured board.
Outcome of the vote	Fail	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	BlackRock's approach to corporate governance and stewardship is explained in its Global Principles, which describes its philosophy on stewardship, including how it monitors and engages with companies. The high-level principles are the framework for its more detailed approach.	
On which criteria has this vote been assessed as "most significant"?	Corporate Transparency: BlackRock periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decision it expects to be of particular interest to its clients.	

HSBC Islamic Global Equity Index Fund

Manager name: HSBC ZCashBuilder fund name: HSBC Islamic	
Total size of fund as at 31 March 2024	\$4,832,512,665
Value of ZCashBuilder assets at 30 June 2024 invested in this fund	£7,719,537 1.2% of ZCashBuilder assets
Number of equity holdings as at 30 June 2024	107
Number of meetings eligible to vote	102
Number of resolutions eligible to vote	1,665
% of resolutions voted	94%
Of the resolutions on which voted, % voted with management	78%
Of the resolutions on which voted, % voted against management	21%
Of the resolutions on which voted, % abstained from voting	0% (2 proposals)
Of the meetings in which the manager voted, % with at least one vote against management	76%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	<p>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.</p> <p>1% of votes, 21 proposals, were contrary to recommendation of proxy adviser</p>

	Vote 1	Vote 2
Company	Mastercard Inc	Amazon.com, Inc.
Date of vote	18 June 2024	22 May 2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.29%	6.29%
Summary of the resolution	Ratify PricewaterhouseCoopers LLP as Auditors	Elect Director Jonathan J Rubinstein
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No

	Vote 1	Vote 2
Rationale for the voting decision	We have concerns about auditor independence.	We are voting against this Nomination Committee Chair as we have concerns about insufficient gender diversity of the board.
Outcome of the vote	The resolution passed.	The resolution passed.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We will likely vote against a similar proposal should we see insufficient improvements.	We will likely vote against a similar proposal should we see insufficient improvements.
On which criteria has this vote been assessed as "most significant"?	Corporate Transparency: The company has a significant weight in the portfolio and we voted against management.	DEI: 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	Information not provided
Value of ZCashBuilder assets at 30 June 2024 invested in this fund	£5,422,813 0.8% of ZCashBuilder assets
Number of equity holdings as at 30 June 2024	Information not provided
Number of meetings eligible to vote	1
Number of resolutions eligible to vote	8
% 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.

Our overriding principle governing our voting is to act in the best interests of our clients. Where proposals are not consistent with the interest of shareholders and our clients, we are not afraid to vote against resolutions. We may abstain where mitigating circumstances apply, for example where a company had taken steps to address shareholder issues.

We also engage with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders.

What process was followed for determining the most significant votes?

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.

Did any of your most significant votes breach the client's voting policy (where relevant)? No

Description of voting processes

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](#)

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 \(blackrock.com\)](#)