Euler Trade Indemnity Pension Scheme

Engagement Policy Implementation Statement for the year ending 30 June 2023

Introduction

The Trustees of the Euler Trade Indemnity Pension Scheme (the ‘Scheme’) have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees believe that they can promote an investment’s long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

This statement sets out how, and the extent to which, in the opinion of the Trustees, the policies (set out in the Statement of Investment Principles) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ending 30 June 2023. This statement also describes the voting behaviour by, or on behalf of, the Trustees.

The Trustees, in conjunction with their investment consultant, appoints their investment managers and choose the specific pooled funds or segregated mandates to use to meet specific policies. They expect that their investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments (including environmental, social and governance (ESG) factors, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme’s performance) over an appropriate time horizon.

Stewardship - monitoring and engagement

The Trustees recognise that investment managers’ ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustees’ policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to report to the Trustees detailing their voting activity.

The Trustees’ also delegate responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustees do not envisage being directly involved with peer-to-peer engagement in investee companies.

The Trustees seek to appoint managers that have strong stewardship policies and processes and are supportive of its investment managers being signatories to the United Nations’

Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020. Details of the signatory status of each investment manager is shown below:

Investment manager	UN PRI Signatory	UK Stewardship Code Signatory
Legal & General Investment Management	Yes	Yes
Barings (U.K.) Limited	Yes	Yes
M&G Investment Management	Yes	Yes
Allianz Global Investors GmbH	Yes	Yes
PIMCO Europe Ltd	Yes	Yes

Investment manager engagement policies

The Scheme's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustees with information on how the investment managers engage in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

Links to each investment manager's engagement policy or suitable alternative is provided in the Appendix.

These policies are publicly available on each investment manager's websites.

The latest available information provided by the investment managers (for mandates that contain public equities or bonds) is as follows:

Engagement	LGIM UK Equity Index	LGIM North America Equity Index	LGIM Europe (ex UK) Equity Index
Period	01/07/2022 - 30/06/2023	01/07/2022 - 30/06/2023	01/07/2022 - 30/06/2023
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.		
Number of companies engaged with over the year	199	166	68
Number of engagements over the year	318	270	110

Engagement	LGIM Japan Equity Index	LGIM Asia Pac exJap Dev Equity Index	PIMCO UK IG Credit
Period	01/07/2022 - 30/06/2023	01/07/2022 - 30/06/2023	01/01/2022 - 31/12/2022
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.		
Number of companies engaged with over the year	36	53	108
Number of engagements over the year	59	95	168

Exercising rights and responsibilities

The Trustees recognise that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment managers are expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The investment managers publish online the overall voting records of the firm on a regular basis.

All investment managers use proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustees do not conduct a detailed review of the votes cast by or on behalf of their investment managers but rely on the requirement for their investment managers to provide a high-level analysis of their voting behaviour and any positive outcomes.

The Trustees consider the proportion of votes cast, and the proportion of votes against management to be an important (but not the only) consideration of investment manager behaviour.

The latest available information provided by the investment managers (for mandates that contain public equities) is as follows:

Voting behaviour	LGIM UK Equity Index	LGIM North America Equity Index	LGIM Europe (ex UK) Equity Index
Period	01/07/2022 - 30/06/2023	01/07/2022 - 30/06/2023	01/07/2022 - 30/06/2023
Number of meetings eligible to vote at	691	632	577
Number of resolutions eligible to vote on	10,510	8,422	9,700
Proportion of votes cast	99.9%	99.7%	99.9%
Proportion of votes for management	94.4%	65.5%	80.2%

Proportion of votes against management	5.6%	34.5%	19.3%
Proportion of resolutions abstained from voting on	0.0%	0.0%	0.5%

	LGIM Japan Equity Index	LGIM Asia Pac exJap Dev Equity Index
Period	01/07/2022 - 30/06/2023	01/07/2022 - 30/06/2023
Number of meetings eligible to vote at	500	470
Number of resolutions eligible to vote on	5,983	3,225
Proportion of votes cast	100.0%	100.0%
Proportion of votes for management	88.6%	73.3%
Proportion of votes against management	11.4%	26.7%
Proportion of resolutions abstained from voting on	0.0%	0.0%

Trustees' assessment

The Trustees plan to consider the environmental, social and governance rating for each fund/investment manager provided by the investment consultant over the coming year, which includes consideration of voting and/or engagement activities. This also includes those funds that do not hold listed equities.

Where an investment manager has received a low rating from the investment consultant, the Trustees will consider whether to engage with the investment manager.

The Trustees recognise that engagement and voting policies, practices and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

Appendix

Links to the engagement or relevant policies for each of the investment managers can be found here:

Investment manager	Engagement Policy (or suitable alternative)
Legal & General Investment Management	https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf
Barings (U.K.) Limited	https://www.barings.com/en-us/guest/sustainability/esg-stewardship/stewardship-engagement-investees

M&G Investment Management	https://www.mandgplc.com/who-we-are/mandg-investments/responsible-investing-at-mandg-investments
Allianz Global Investors GmbH	https://www.allianzgi.com/en/our-firm/esg/documents#keypolicydocumentsandreports
PIMCO Europe Ltd	https://www.pimco.co.uk/en-gb/our-firm/policy-statements

Information on the most significant votes for each of the funds containing public equities is shown below:

LGIM UK Equity Index	Vote 1	Vote 2	Vote 3
Company name	Shell Plc	BP Plc	Flutter Entertainment Plc
Date of Vote	23/05/2023	27/04/2023	27/04/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	7.0	3.8	1.1
Summary of the resolution	Resolution 25 - Approve the Shell Energy Transition Progress	Resolution 4 - Re-elect Helge Lund as Director	Resolution 5H - Re-elect Gary McGann as Director
How the fund manager voted	Against (against management recommendation)	Against (against management recommendation)	Against (against management recommendation)
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as LGIM's engagement is not limited to shareholder meeting topics.		

Rationale for the voting decision	Climate change: A vote against is applied, though not without reservations. LGIM 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, LGIM remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both are key areas to demonstrate alignment with the 1.5C trajectory.	Governance: A vote against is applied due to governance and board accountability concerns. Given the revision of the company’s oil production targets, shareholders expect to be given the opportunity to vote on the company’s amended climate transition strategy at the 2023 AGM. Additionally, LGIM note concerns around the governance processes leading to the decision to implement such amendments.	Diversity: A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executive officers to include at least one female.
Outcome of the vote	80% (Pass)	N/A	N/A
Implications of the outcome	LGIM continues to undertake extensive engagement with Shell on its climate transition plans	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is assessed to be “most significant”	Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	High Profile Meeting and Engagement: LGIM consider this vote to be significant given their long-standing engagement with the company on the issue of climate.	Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on the company’s behalf.

LGIM North America Equity Index	Vote 1	Vote 2	Vote 3
Company name	Amazon.com, Inc.	NVIDIA Corporation	Alphabet Inc.
Date of Vote	24/05/2023	22/06/2023	02/06/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.5	2.3	1.9
Summary of the resolution	Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps	Resolution 1i - Elect Director Stephen C. Neal	Resolution 18 - Approve Recapitalization Plan for all Stock to Have One-vote per Share
How the fund manager voted	For (Against Management Recommendation)	Against (against management recommendation)	For (against management recommendation)
Where the fund manager voted against management, did they communicate their 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 the day after the company meeting, with a rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as LGIM's engagement is not limited to shareholder meeting topics. .	

Rationale for the voting decision	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as LGIM believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	Shareholder Resolution - Shareholder rights: A vote in favour is applied as LGIM expects companies to apply a one-share-one-vote standard.
Outcome of the vote	29% (Fail)	N/A	30.7% (Fail)
Implications of the outcome	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to monitor the board's response to the high level of support received for this resolution.
Criteria on which the vote is assessed to be "most significant"	Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for their	Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients,	High Profile meeting: This shareholder resolution is considered

	clients, with implications for the assets LGIM manage on their behalf.	with implications for the assets LGIM manage on their behalf.	significant due to the high level of support received.

LGIM Europe (ex UK) Equity Index	**Vote 1**	**Vote 2**	**Vote 3**
Company name	Novartis AG	Sanofi	Schneider Electric SE
Date of Vote	07/03/2023	25/05/2023	04/05/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.0	1.4	1.1
Summary of the resolution	Resolution 8.1 – Re-elect Joerg Reinhardt as Director and Board Chair	Resolution 4 - Elect Frederic Oudea as Director	Resolution 17 - Approve Company's Climate Transition Plan
How the fund manager voted	Against	Against (against management recommendation)	Against (against management recommendation)
Where the fund manager voted against management, did they communicate their 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 LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as LGIM's engagement is not limited to shareholder meeting topics.		

Rationale for the voting decision	Diversity: A vote against is applied as LGIM expects a company to have a diverse board, with at least one-third of board members being women. LGIM expect companies to increase female participation both on the board and in leadership positions over time.	Diversity: A vote against is applied as LGIM expects a company to have a diverse board, with at least 40% of board members being women. LGIM expect companies to increase female participation both on the board and in leadership positions over time.	Climate change: A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5Â°C. 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 the 1.5Â°C goal.
Outcome of the vote	N/A	N/A	N/A
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate LGIM's position on this issue and monitor company and market-level progress.		
Criteria on which the vote is assessed to be "most significant"	Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf.	Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf.	Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

LGIM Japan Equity Index	Vote 1	Vote 2	Vote 3
Company name	Toyota Motor Corp.	Mitsubishi UFJ Financial Group, Inc.	Daiichi Sankyo Co., Ltd.
Date of Vote	14/06/2023	29/06/2023	19/06/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.2	2.0	1.6
Summary of the resolution	Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	Resolution 3 - To amend the articles of incorporation to publish a transition plan to align lending and investment portfolios with the Paris Agreement	Resolution 2.1 - Elect Director Manabe, Sunao
How the fund manager voted	For (Against Management Recommendation)	For (Against Management Recommendation)	Against (against management recommendation)

Where the fund manager voted against management, did they communicate their 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 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 the day after the company meeting, with a rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as LGIM's engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, LGIM believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expect Toyota	LGIM continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met. A group of climate-focused NGOs has been active in this area in the Asian market for a number of years, resulting in the first climate-related proposal of its type at Mizuho ahead of its 2020 AGM. LGIM since has supported previous resolutions at each of these Japanese banks at their AGMs since 2020, and LGIM have found that these proposals and the ensuing shareholder dialogue has helped drive improved disclosures and tighter policies at the companies. Therefore, LGIM supports this proposal to invigorate and encourage further strengthening of policies in line with	Diversity: A vote against is applied due to the lack of meaningful diversity on the board.

	Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM believe the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.	science-based temperature-aligned pathways towards a net-zero-by-2050 world. LGIM believe that the drafting of the resolution text is sufficiently general as not to be overly prescriptive on management given the binding nature of amending the articles of incorporation.	
Outcome of the vote	15.1% (Fail)	N/A (Results not disclosed)	N/A
Implications of the outcome	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with their investee companies, publicly advocate LGIM's position on this issue and monitor company and market-level progress.
Criteria on which the vote is assessed to be "most significant"	Pre-declaration and Thematic - Lobbying: LGIM believe 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, LGIM expect companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.	Pre-declaration and Thematic – Climate: LGIM consider this vote to be significant as LGIM pre-declared their intention to support. LGIM continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.	Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on client's behalf.

LGIM Asia Pac exJap Dev Equity Index	Vote 1	Vote 2	Vote 3
Company name	Woodside Energy Group Ltd.	CK Asset Holdings Limited	The Hong Kong and China Gas Company Limited
Date of Vote	28/04/2023	18/05/2023	07/06/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.5	0.4	0.3
Summary of the resolution	Resolution 2.a – to re-elect Mr Ian Macfarlane as a director	Resolution 3.1 - Elect Li Tzar Kuoi, Victor as Director	Resolution 3.1 - Elect Lee Ka-kit as Director
How the fund manager voted	Against (Against Management Recommendation)	Against (against management recommendation)	Against (against management recommendation)
Where the fund manager voted against management, did they communicate their intent to the	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 the day after the company meeting, with a rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	

company ahead of the vote			
Rationale for the voting decision	The rationale for LGIM's intention to vote against the most senior director up for re-election, Mr Ian Macfarlane, reflects their concerns around the company's lack of commitment to aligning with the Paris objectives and net zero, and the insufficient reaction to the sizeable proportion of shareholder votes against their climate report (49%) in the 2022 AGM. Additionally, following the completion of the BHP petroleum assets merger in 2022, LGIM are looking to get more clarity on the decarbonisation targets of the combined group, and note a number of gaps in the company's disclosure, primarily around the overreliance on offsets for achieving climate goals. In 2023, LGIM have met with the company (investor relations) and with the chair of the board. However, LGIM still feel that actions taken are insufficient to restore investor confidence and that there is a lack of	Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors. Board mandates: A vote against is applied as LGIM expects a CEO/CFO/FD or a non-executive director not to hold too many external roles to ensure they can undertake their duties effectively. Joint Chair/CEO: A vote against is applied as LGIM expects the roles of Board Chair and CEO to be separate. These two roles are substantially different, and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.	Independence: A vote against is applied as the board is not sufficiently independent which is a critical element for a board to protect shareholders' interests. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors. Diversity: A vote against is applied as LGIM expects a company to have a diverse board, including at least one woman. LGIM expect companies to increase female participation both on the board and in leadership positions over time. Board mandates: A vote against is applied as LGIM expects a CEO/CFO/FD or a non-executive director not to hold too many external roles to ensure they can undertake their duties effectively.

	urgency around better aligning the company with the Paris objectives		
Outcome of the vote	65.2% (Pass)	90.3% (Pass)	78.6% (Pass)
Implications of the outcome	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with their investee companies, publicly advocate LGIM's position on this issue and monitor company and market-level progress.	
Criteria on which the vote is assessed to be "most significant"	Pre-declaration and Thematic – Climate: LGIM consider this vote to be significant as it is applied under the Climate Impact Pledge, LGIM flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.	Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on client's behalf.

Information on the most significant engagement case studies for LGIM as a company for the funds containing public equities or bonds as at 31 December 2022 (latest available) is shown below:

LGIM - Firm-level	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	ExxonMobil	BP Plc	J Sainsbury Plc

Topic	Environment: Climate change (Climate Impact Pledge)	Environment: Climate change (Climate Impact Pledge)	Social: Income inequality - living wage (diversity, equity and inclusion)
Rationale	As one of the world's largest public oil and gas companies in the world, LGIM believe that Exxon Mobil's climate policies, actions, disclosures and net zero transition plans have the potential for significant influence across the industry as a whole, and particularly in the US. At LGIM, they believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under LGIM's Climate Impact Pledge, they publish their minimum expectations for companies in 20 climate-critical sectors. LGIM select 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in LGIM's view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. LGIM's in-depth engagement is focused on helping companies meet these minimum expectations, and understanding the	As one of the largest integrated oil and gas producers in the world, BP has a significant role to play in the global transition to net zero, hence LGIM's focus on this company for in-depth engagements. As members of the CA100+ LGIM commit to engaging with a certain number of companies on their focus list and on account of LGIM's strong relationship with BP, they lead the CA100+ engagements with them. At LGIM, they believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under LGIM's Climate Impact Pledge, they publish their minimum expectations for companies in 20 climate- LGIM sectors. LGIM select 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in LGIM's view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector,	Ensuring companies take account of the 'employee voice' and that they are treating employees fairly in terms of pay and diversity and inclusion is an important aspect of LGIM's stewardship activities. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, LGIM's work on income inequality and their expectations of companies regarding the living wage have acquired a new level of urgency. LGIM's expectations of companies: i) As a responsible investor, LGIM advocates that all companies should ensure that they are paying their employees a living wage and that this requirement should also be extended to all firms with whom they do business across their supply chains. ii) LGIM expect the company board to challenge decisions to pay employees less than the living wage.

	hurdles they must overcome. For in-depth engagement companies, those which continue to lag LGIM's minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions). UN SDG 13: Climate action	and in supply chains. LGIM's in-depth engagement is focused on helping companies meet these minimum expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag LGIM's minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions). UN SDG 13: Climate action	iii) LGIM ask the remuneration committee, when considering remuneration for executive directors, to consider the remuneration policy adopted for all employees. iv) In the midst of the pandemic, LGIM went a step further by tightening their criteria of bonus payments to executives at companies where COVID-19 had resulted in mass employee lay-offs and the company had claimed financial assistance (such as participating in government-supported furlough schemes) to remain a going concern. With over 600 supermarkets, more than 800 convenience stores, and nearly 190,000 employees, Sainsbury's is one of the largest supermarkets in the UK. Although Sainsbury's is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living wage accredited.

			UN SDG 8: Decent work and economic growth
What the investment manager has done	LGIM have been engaging with Exxon Mobil since 2016 and they have participated willingly in LGIM's discussions and meetings. Under LGIM's Climate Impact Pledge, LGIM identified a number of initial areas for concerns, namely: lack of Scope 3 emissions disclosures (embedded in sold products); lack if integration or a comprehensive net zero commitment; lack of ambition in operational reductions targets and lack of disclosure of climate lobbying activities. LGIM's regular engagements with Exxon Mobil have focused on their minimum expectations under the Climate Impact Pledge. The improvements made have not so far been sufficient in LGIM's opinion, which has resulted in escalations. The first escalation was to vote against the re-election of the Chair, from 2019, in line with LGIM's Climate Impact Pledge sanctions. Subsequently, in the absence of further improvements, LGIM placed Exxon Mobil on their	LGIM have been engaging with BP on climate change or a number of years, during which LGIM have seen many actions taken regarding climate change mitigation. BP has made a series of announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US. LGIM's recommendation for the oil and gas industry is to primarily focus on reducing its own emissions (and production) in line with global climate targets before considering any potential diversification into clean energy. BP has also announced that it would be reducing its oil and gas output by 40% over the next decade, with a view to reaching net-zero emissions by 2050.	Sainsbury's has recently come under scrutiny for not paying a real living wage. LGIM engaged initially with the company's [then] CEO in 2016 about this issue and by 2021, Sainsbury's was paying a real living wage to all employees, except those in outer London. LGIM joined forces with ShareAction to try to encourage the company to change its policy for outer London workers. As these engagements failed to deliver change, LGIM then joined ShareAction in filing a shareholder resolution in Q1 2022, asking the company to becoming a living wage accredited employer. This escalation succeeded as far as, in April 2022, Sainsbury's moved all its London-based employees (inner and outer) to the real living wage. LGIM welcomed this development as it demonstrates Sainsbury's values as a responsible employer. However, the shareholder resolution was not withdrawn and remained on the 2022 AGM agenda because, despite this expansion of the real living wage to

	Climate Impact Pledge divestment list (for applicable LGIM funds) in 2021, as LGIM considered the steps taken by the company so far to be insufficient for a firm of its scale and stature. Nevertheless, LGIM's engagement with the company continues. In terms of further voting activity, in 2022 LGIM supported two climate-related shareholder resolutions (i.e. voted against management recommendation) at Exxon's AGM, reflecting LGIM's continued wish for the company to take sufficient action on climate change in line with their minimum expectations. Levels of individual typically engaged with include lead independent director, investor relations, director, and CFO.	LGIM met with BP several times during 2022. In BP's 2022 AGM, LGIM were pleased to be able to support management's 'Net Zero – from ambition to action' report (Resolution 3). Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments. Levels of director typically engaged with include the chair, the CEO, head of sustainability, and investor relations.	more employees, there are still some who are excluded. This group comprises contracted cleaners and security guards, who fulfil essential functions in helping the business to operate safely. Levels of individual typically engaged with include the Chair, the CEO, and head of investor relations.
Outcomes and next steps	Since 2021, LGIM have seen notable improvements from Exxon Mobil regarding LGIM's key engagement requests, including disclosure of Scope 3 emissions, a 'net zero by 2050' commitment (for Scopes 1 and 2 emissions), the setting of interim operational emissions reduction	LGIM will continue engaging with BP on climate change, strategy and related governance topics. Following the company's decision to revise their oil production targets, LGIM met with the company several times in early 2023 to discuss their concerns.	Since filing the shareholder resolution, Sainsbury's has made three further pay increases to its directly employed workers, harmonising inner and outer London pay and is now paying the real living wage to its employees, as well as extending free food to workers well into 2023. LGIM welcome these

	targets, and improved disclosure of lobbying activities. However, there are still key areas where LGIM require further improvements, including inclusion of Scope 3 emissions in their targets, and improving the level of ambition regarding interim targets. LGIM are also seeking further transparency on their lobbying activities. The company remains on LGIM's divestment list (for relevant funds), but LGIM's engagement with them continues.		actions which demonstrate the value the board places on its workforce. LGIM have asked the board to collaborate with other key industry stakeholders to bring about a living wage for contracted staff.

Information on the most significant engagement case studies for PIMCO as a company for the funds containing public equities or bonds as at 31 December 2022 (latest available) is shown below:

PIMCO - Firm-level	**Case Study 1**	**Case Study 2**	**Case Study 3**
Name of entity engaged with	British Multinational Bank	Leading US Multinational Investment Bank	Leading automobile manufacturer
Topic	Greenhouse Gas Emissions, Land Use and Biodiversity, Human & Labour Rights	Greenhouse Gas Emissions, Reporting & Transparency	Greenhouse Gas Emissions, Human & Labour Rights and Health & Safety

Rationale	PIMCO had a one on 1 call with their ESG team to discuss their net zero progress and sector policy along with labour rights related to the companies they lent to.	PIMCO led a collaborative engagement discussion with the bank's Chief Sustainability Officer and Corporate Governance team on Paris Agreement alignment.	PIMCO had a 1x1 credit and ESG meeting with the Treasury team to discuss matters related to the credit outlook, supply chain disruptions, the energy transition and responsible sourcing.
What the investment manager has done	Clarified with the issuer the specifics of their net zero targets. Additionally, the issuer confirmed its exposure to cattle and soy, which is limited, while having robust oversight over palm oil companies. The issuer has also incorporated all recommendations from the OECD guidance on human rights due diligence for banks.	"PIMCO discussed the bank's rationale for its new sectoral emission targets, updates on its latest decision to diverge from the Partnership for Carbon Accounting Financials (PCAF) method on emission attribution, and its approach to engaging clients on developing credible energy transition plans and Paris Agreement alignment.	The company clarified their CAPEX allocation to EV R&D, and the impacts of semiconductor disruption on the EV rollout. PIMCO also discussed fleet emission intensity (as the key indicator for tracking energy transition progress) and the growing exposure to environmental and social risks in conflict mineral sourcing, as the company expands EV production.
Outcomes and next steps	PIMCO recommended for the issuer to clarify how it prioritizes and engages with clients on transition. Furthermore, PIMCO encouraged the issuer to consider reducing the remaining indirect coal financing exposure in line with the net zero timeline. The issuer is looking into strengthening their lending due diligence, regarding human rights, with international mechanisms (e.g. the International Finance Corporation)	"PIMCO encouraged the bank to strengthen disclosure on its client engagement and escalation practices and recommended reporting examples of its work with clients on credible transition plans. PIMCO holds the bank's Green Bonds, in which proceeds are to be allocated towards expenditures aligned with the following green bond principles: renewable energy, energy efficiency, sustainable transportation,	PIMCO encouraged the company to streamline the reporting of fleet emission intensity across regions into the same unit, and ideally disclose a global average intensity for progress tracking. PIMCO also highlighted the importance of greater transparency in their supply chain audit, particularly oversights on indirect supply chains. PIMCO shared select examples of peers' disclosures on their supply chains (e.g. direct versus indirect

	and the effectiveness of the grievance mechanisms in place.	green buildings, and water quality & conservation.	suppliers), and their progress on traceability. The company is currently developing its sustainability strategy for release this year or the next, and there is a future opportunity for PIMCO to have a deep dive meeting with the company's sustainability team.