Vodafone Group Pension Scheme

Annual Implementation Statement – Scheme year ended 31 March 2024

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Section 1: Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Vodafone Group Pension Scheme ("the Scheme") covering the Scheme year ("the year") from 1 April 2023 to 31 March 2024.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustee, the Trustee's policies on engagement and voting (as set out in the Statement of Investment Principles (the "SIP")) have been adhered to during the year; and
- A description of voting behaviour (including the most significant votes made on behalf of the Trustee) and any use of a proxy voter during the year.

The Scheme is a Defined Benefit only scheme.

The SIP is a document which outlines the Trustee's policies with respect to various aspects related to investing and managing the Scheme's assets including but not limited to: investment managers, investment portfolio construction and risks.

The latest version of the SIP can be found online here.

The SIP linked above reflects the latest version which is dated June 2023. Prior to this version, the SIP which covered the balance of the year was dated December 2022.

The SIP sets out the current Trustee policies but, recognising the importance of Environmental, Social and Governance ('ESG') factors on the performance of the Scheme's assets as well as the impact which these have on the world in which the Scheme's members live, the Trustee is continuing to review its policies and practices. This review will consider how these might better reflect the risks and opportunities which ESG factors present.

The Trustee's focus over the short-term will be to consider how the Scheme's investments can better reflect the Trustee's views in respect of climate change, human rights and corporate governance. The Trustee will work with its investment managers and advisors to develop policies which reflect Trustee views as well as the wider objectives and asset allocation of the Scheme.

Following strategy changes over the year, the Trustee was required to update the SIP and made the following change in the June 2023 version.

- The Target hedge ratio for the CWW section was updated from 100% to 103% (including an allowance for the 2017 and 2020 Project Square buy-ins).

The Trustee reviews its policies and practices on an ongoing basis and updates the SIP to reflect changes in these where appropriate.

The Trustee also made the following changes to the investment strategy over the reporting period, primarily to rebalance from growth assets to liability matching assets in order to support the Scheme's hedging portfolio. The following strategic decisions were made for both Sections of the Scheme:

Vodafone Section

- In June 2023, to improve collateral efficiency in the Liability Driven Investment ("LDI") portfolio, full redemptions were submitted for the Bain Global Loans Fund, the Magnetar PRA Fund and the TCW Securitised Opportunities Fund, with proceeds paid into the Insight Segregated LDI portfolio. The majority of these were received in July 2023. In addition, a full redemption was submitted for the Aviva Lime Property Fund, with full settlement expected in 2024. Also in July, a portion of proceeds were received from the Nephila Iron Catastrophe Funds' full redemption and paid into the Insight Segregated LDI portfolio.
- In July 2023, the liability hedge was rebalanced to be in line with the funding level, with a hedge ratio of 90% at the time.
- In September 2023, part of the Nephila Iron Catastrophe Fund redemption was transferred to the Nephila Cassiopeia Fund as part of the fund's restructuring to recognise this portion as less liquid. It is expected to

gradually pay back capital until end 2026. In January 2024, the remainder of proceeds from the legacy Nephila Iron Catastrophe Fund settled and were paid into the Insight Segregated LDI portfolio.

- In March 2024, a partial redemption was submitted for the Insight Segregated LDI portfolio, with proceeds paid into the Federated Hermes Unconstrained Credit Fund and the Insight High Grade ABS Fund, to replace the return lost from redemptions earlier in the year. In addition, the Section's synthetic equity exposure was partially reduced to improve its risk position.

Cable & Wireless Section

- In June 2023, a full redemption was submitted for the Bain Global Loans Fund, with proceeds paid into the Insight Segregated LDI portfolio in July 2023.
- In July 2023, the liability hedge was rebalanced to be in line with the funding level, with a hedge ratio of 103% at the time.
- In August 2023, the Section invested in the Insight Active Corporate Bond portfolio to increase return.
- In September 2023, to improve the liquidity of the portfolio, a full redemption from the Magnetar PRA Fund was made, with proceeds (received in November) being paid into the Insight Segregated LDI portfolio.
- In September 2023, a small amount of the Nephila Iron Catastrophe Fund redemption was transferred to the Nephila Cassiopeia Fund as part of the fund's restructuring. As for the Vodafone Section, this holding is expected to gradually return capital until end 2026. In January 2024, proceeds from the full redemption of the Nephila Iron Catastrophe Fund settled and were paid into the Insight Segregated LDI portfolio.
- In March 2024, to provide additional return for the Section, investments were made into the Insight Active Corporate Bond portfolio and the Insight High Grade ABS Fund.

For completeness, please note that the above strategic changes were carried out within the parameters agreed within the SIP.

Section 2: How the Trustee has adhered to its engagement and voting policies

The Trustee's policies on voting and engagement, as stated in the SIP are:

- In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers. The investment managers shall provide the skill and expertise necessary to manage the investments of the Scheme competently. Similarly, where the Trustee invests in pooled vehicles and funds, responsibility for the management of the underlying assets rests with the investment managers of the funds. Prior to any new appointment of a manager or investment in a pooled vehicle or fund, the Trustee will seek advice from the Investment Consultant on the suitability of the appointment or investment proposed. It will also, periodically, seek further advice on the ongoing suitability of its appointments and investments.
- The Trustee will evaluate the investment managers' performance in light of the specific mandate it expects the investment managers to carry out on the Scheme's behalf. This forms part of the Trustee's periodic review of the suitability of the Scheme's mandates in the context of the Scheme's wider investment strategy, including considering whether the balance between different kinds of investments remains appropriate, the expected return on the investments and the risks to which the Scheme is exposed. Further reviews are carried out based on changes in the Scheme's circumstances, market conditions or the Investment Consultant's views of a particular manager.
- On behalf of the Trustee, the Scheme's investment advisor engages with investment managers on a regular basis to understand their continuing approaches to Responsible Investment and ESG issues, ensuring that the funds invested in remain appropriate and consistent with the Trustee's approach, policies and objectives.
- The Trustee appoints its investment managers with an expectation of a long-term partnership, which incentivises active ownership of the Scheme's assets and effective ESG management (which the Trustee believes is best reflected in the overall long-term performance of the manager). When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.
- The Trustee's policy is to take into account factors that are considered to be financially material, such as potential future returns and risks of any investments made. ESG-related matters (which include broad corporate governance issues, effective stewardship and more specific considerations such as climate change) are considered to be financially material by the Trustee. The Trustee expects that the extent to which social, environmental or ethical issues may have a fundamental impact on the portfolio will be taken into account by the investment managers in the exercise of their delegated duties.
- The Trustee expects its investment managers, where appropriate, to engage with companies (and other relevant persons including, but not limited to, other investment managers, other stakeholders, and issuers/other holders of debt and equity) on matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest risks, and ESG issues concerning the Trustee's investments. The Trustee believes such engagement will protect and enhance the long-term value of its investments and incentivise the investment managers to take a long-term view of the performance of its investments. The Trustee reviews its investment managers' policies in these areas to satisfy itself that they broadly meet with the Trustee's views.
- Should the Trustee's monitoring process reveal that, in its view, a manager's portfolio is not sufficiently aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the investment management agreement. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

- The Trustee's 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 managers are expected to exercise these rights and engage with companies with care and diligence that could be reasonably expected of a prudent professional discretionary investment manager, taking into account any relevant Trustee policies adopted from time to time and their impact on eligible participants and beneficiaries of the Scheme over an appropriate time horizon. The Trustee does not explicitly monitor manager's alignment with Trustee policies on voting.
- The Trustee encourages the Scheme's investment managers to discharge their responsibilities in respect of investee companies in accordance with the UK Stewardship Code published by the Financial Reporting Council. The Trustee will monitor the activities of all of its managers on a regular basis but appreciates that its applicability may be limited for certain asset classes.

Over the year, the Trustee has undertaken a number of actions in line with these policies as set out below:

- Received further training over the year on Taskforce for Climate-related Financial Disclosures ("TCFD"), with a focus on climate scenario analysis on their funding strategy.
- Received training on Stewardship and Engagement, including the latest statutory and non-statutory guidance from the Department for Work and Pensions ("DWP").
- Updated the Scheme's Responsible Investment policy ("RI") to better align with this guidance.
- Carried out an in-depth assessment of the Scheme's largest manager's stewardship and engagement activities, with a focus on the Insight Segregated Investment Grade Credit and High Grade Asset-Backed-Securities ("ABS") funds and alignment with the Scheme's three stewardship themes

As set out in section 4, the Trustee has assessed adherence to the engagement policies set out in the SIP, both for the period from April to July 2023 prior to the changes in July 2023, and the period from July 2023 to March 2024. The Trustee believes that these policies have been adhered to over the Scheme year and will continue to monitor the investment managers' stewardship practices on an ongoing basis.

Section 3: Voting information

The Scheme is invested in a diverse range of asset classes. However, this document focusses on the equity investments which have voting rights attached.

The Scheme's equity holdings as at the end of the year are held in pooled investment funds and are managed on a passive basis relative to a defined index. Therefore, the voting entitlements in these funds lie with the investment managers.

The Scheme's equity holdings are invested with Legal & General Investment Management ("LGIM"), in the following pooled investment fund:

- **LGIM All World Equity Index Fund**: pooled investment fund investing in global equities, which aims to track the performance of the FTSE All-World Index to within +/- 0.5% per annum for two years out of three.

As set out in the SIP, the Trustee's policy is to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations in day-to-day decisions to the Scheme's investment manager. This section sets out the voting activities of the Scheme's equity investment manager over the year, including details of the investment manager's use of proxy voting.

LGIM has its own voting policies that determine its approach to voting and the principles it follows when voting on investors' behalf. LGIM also uses voting proxy advisors which aid in its decision-making when voting. More details are provided in Appendix 1

The below table sets out the voting activity of the Scheme's equity investment manager, on behalf of the Trustee, over the year:

Voting statistics	**All World Equity[1]**
Number of meetings eligible to vote	6557
Number of resolutions eligible to vote on	64058
Proportion of eligible resolutions voted on	99.87%
Proportion of resolutions voted with management	79.27%
Proportion of resolutions voted against management	20.20%
Proportion of eligible resolutions abstained from	0.53%
Proportion of eligible to attend meetings where voted at least once against management	63.47%
Proportion of resolutions voted contrary to the proxy advisor (if applicable)	11.39%

Note: Voting statistics are out of total eligible votes and are sourced from the investment manager LGIM

1 Invested in by Vodafone Section only

As outlined in the SIP, the Trustee recognises the UK Stewardship Code 2020 and monitors the Scheme's investment managers' adherence to the Code. LGIM is a signatory to the code. Their latest statement of compliance can be found via the link below:

LGIM: Active ownership: 2023 (lgim.com).

The following table outlines a number of significant votes cast by the Scheme's investment manager on the Trustee's behalf. The commentary set out below is based on detail in LGIM's reports on the votes cast. LGIM reported on the most significant votes cast within the fund managed on behalf of the Scheme over the year to 31 March 2024, including the rationale for the voting decision and the outcome of the vote. A number of these key votes is set out below.

LGIM has provided the following details on how they selected their significant votes:

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

Significant votes - LGIM All World Equity Index Fund

The tables below give a snapshot of significant votes for the year to 31 March 2024 – Source LGIM

Company name	**Microsoft Corporation**
Date of vote	07-December-23
Summary of the resolution	Resolution 1.06 - Elect Director Satya Nadella
How LGIM voted	LGIM voted against the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.
Outcome of the vote	N/A
Implications of the outcome e.g. lessons learned and likely future steps 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.
The criteria by which LGIM has assessed this vote to be "most significant"	Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO.

Company name	**Apple Inc.**
Date of vote	28-February-24
Summary of the resolution	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy
How LGIM voted	LGIM against the resolution.
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	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	Fail
Implications of the outcome e.g. lessons learned and likely future steps 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.
The criteria by which LGIM has assessed this vote to be "most significant"	Thematic - Diversity: LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

Company name	**Amazon.com Inc.**
Date of vote	24-May-23
Summary of the resolution	Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps
How LGIM voted	LGIM voted in favour of the resolution (against Management recommendation).
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
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 we 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.
Outcome of the vote	29% (Fail)
Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome	LGIM will continue to engage with the company and monitor progress.
The criteria by which LGIM has assessed this vote to be "most significant"	Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

Company name	**Alphabet Inc.**
Date of vote	02-June-23
Summary of the resolution	Resolution 18 - Approve Recapitalization Plan for all Stock to Have One-vote per Share
How LGIM voted	LGIM voted for the resolution (against Management recommendation).
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a 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	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	30.7% (Fail)
Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome	LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.
The criteria by which LGIM has assessed this vote to be "most significant"	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.

Company name	**Berkshire Hathaway Inc.**
Date of vote	06-May-23
Summary of the resolution	Resolution 8 - Require Independent Board Chair
How LGIM voted	LGIM voted for the resolution (against Management recommendation).
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a 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	Shareholder Resolution - Joint Chair/CEO: A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair.
Outcome of the vote	10.9% (Fail)
Implications of the outcome e.g. lessons learned and likely future steps 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.
The criteria by which LGIM has assessed this vote to be "most significant"	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

Company name	**Exxon Mobil Corporation**
Date of vote	31-May-23
Summary of the resolution	Resolution 12: Shareholder resolution calling for a Report on Asset Retirement Obligations Under IEA Net Zero Emissions Scenario
How LGIM voted	LGIM voted for the resolution (against Management recommendation).
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM co-filed this shareholder resolution and pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, there was regular communication with the company ahead of the meeting.
Rationale for the voting decision	Together with CBIS, LGIMA has co-filed a shareholder resolution asking for more transparency on the retirement costs of Exxon's asset base. In our view, this is a highly relevant and financially material matter, and by filing this proposal we are seeking greater clarity into the potential costs Exxon may incur in the event of an accelerated energy transition.
Outcome of the vote	16% (Fail)
Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome	LGIM will continue to engage with the company and monitor progress.
The criteria by which LGIM has assessed this vote to be "most significant"	Pre-declaration and Engagement: LGIM considers this vote to be significant as LGIM co-filed this shareholder resolution as an escalation of our engagement activity, targeting some of the world's largest companies on their strategic management of climate change.

Company name	**JPMorgan Chase & Co.**
Date of vote	16-May-23
Summary of the resolution	Resolution 9 - Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets
How LGIM voted	LGIM voted for the resolution (against Management recommendation).
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
Rationale for the voting decision	We generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. We believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
Outcome of the vote	34.8% (Fail)
Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome	LGIM will continue to engage with the company and monitor progress.
The criteria by which LGIM has assessed this vote to be "most significant"	Pre-declaration and Thematic – Climate: LGIM considers this vote to be significant as we pre-declared our intention to support. We 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.

Company name	**Eli Lilly and Company**
Date of vote	01-May-23
Summary of the resolution	Resolution 8 - Adopt Simple Majority Vote
How LGIM voted	LGIM voted for the resolution (against Management recommendation).
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a 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	Shareholder Resolution - Shareholder rights: A vote FOR this proposal is warranted given that elimination of the supermajority vote requirement enhances shareholder rights.
Outcome of the vote	40.7% (Fail)
Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome	LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.
The criteria by which LGIM has assessed this vote to be "most significant"	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.

Company name	**Mastercard Incorporated**
Date of vote	27-June-23
Summary of the resolution	Resolution 1a - Elect Director Merit E. Janow
How LGIM voted	LGIM voted against the resolution.
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 the day after the company meeting, with a 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	Governance concerns: A vote in favour is applied as no significant concerns were highlighted. While we note the dual-class share structure with A and B shares outstanding, the Company has confirmed that the legacy B shares do not confer any rights and therefore do not negatively affect the rights attached to the commonly traded A shares.
Outcome of the vote	98.1% (Pass)
Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome	LGIM will continue to monitor the development of this issue in the market.
The criteria by which LGIM has assessed this vote to be "most significant"	Thematic - Investor Rights and Engagement: This vote is considered significant due to the focus on the thematic area of engagement on investor rights.

Company name	**AbbVie Inc.**
Date of vote	05-May-23
Summary of the resolution	Resolution 1g - Elect Director Brian T. Moynihan
How LGIM voted	LGIM voted for the resolution (against Management recommendation).
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a 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	Shareholder Resolution - Shareholder rights: A vote in favour is applied as reducing the supermajority vote requirement will improve minority shareholder rights.
Outcome of the vote	53.2% (Pass)
Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome	LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.
The criteria by which LGIM has assessed this vote to be "most significant"	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.

Engagement Activity

This section includes information on the engagements carried out on the Trustee's behalf related to its three key stewardship themes. Below are case studies by investment managers on their engagement activity during the reporting period:

Manager: LGIM All World Equity Index Fund

Name of entity: ExxonMobil

Section: Vodafone Section

Topic of engagement: Environment – Climate Change

Why was the company the subject of engagement?

As one of the world's largest public oil & gas companies, we believe that ExxonMobil'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.

How did you engage with the company?

We have been engaging with Exxon since 2016 under our Climate Impact Pledge. Our engagements were centred around time-bound emissions targets setting, capital allocation and business resilience, and the approach to the energy transition, with transparency on asset retirement obligations (AROs) being a focus area this year. Although we note some progress has been made since our decision in 2019 to divest the company from applicable LGIM funds under our Climate Impact Pledge, primarily on account of the state of the company's commitments and disclosure, we have identified several persistent gaps in disclosure which we are continuing to engage on with the company. As part of our continuing engagement and escalation steps, in 2022 we supported two climate-related shareholder resolutions at Exxon's AGM, reflecting our wish for the company to take sufficient action on climate change in line with our minimum expectations. Further escalating our engagement with the company, LGIM and Christian Brothers Investment Services (CBIS) co-filed a shareholder resolution at Exxon's 2023 AGM, requesting the company disclose the quantitative impact of the International Energy Agency (IEA) net-zero scenario on all AROs. The proposal was centred around disclosure and seeking greater insight into the potential costs associated with the decommissioning of Exxon's assets in the event of an accelerated energy transition. We believe this is a fundamental level of information for the company's shareholders, in light of growing investor concerns about asset-retirement obligations in a carbon constrained future, and that it is financially material information. In our regular engagements with Exxon, we raised this issue with them, and a member of our Investment Stewardship team also spoke at the company's 2023 AGM. The proposal received over 16% support from shareholders which, although lower than we would have liked, demonstrates an increasing recognition of the importance of this issue for investors.

What was the outcome of the engagement?

We were pleased to see progress from Exxon in terms of joining the Oil & Gas Methane Partnership (OGMP) 2.0, of which many global oil & gas companies, including BP and Shell, are already members. We have been working closely and collaboratively with the Environmental Defense Fund (EDF) and other relevant organisations to raise awareness of the issue of methane emissions through letters, meetings and public statements; and have been applying pressure on oil & gas companies to join the OGMP initiative since 2021 – Exxon being one of them. Exxon had previously demonstrated reluctance to sign up to the OGMP and LGIM voted in favour of a separate shareholder resolution tabled at its 2023 AGM, requesting that the company produce a report on methane emission disclosure, which received 36.4% support from shareholders. Public and shareholder pressure, growing membership of the OGMP and Exxon's recent acquisition of OGMP member Pioneer Natural Resources appear to have swayed the company towards greater transparency. Greater transparency is crucial in terms of enabling investors to accurately price climate-related risks and opportunities which, in turn, is an incentive for companies to make the changes we are seeking. We will continue our direct engagements with the company under our Climate Impact Pledge and to challenge Exxon on their approach to the energy transition. We will also be engaging with proxy advisers and fellow investors to better understand their voting rationale.

Name of entity: Volkswagen

Section: Vodafone Section

Topic of engagement: Social

Why was the company the subject of engagement?

Volkswagen is one of the largest automotive manufacturers in the world, with production facilities across multiple regions. Volkswagen has a particularly large presence in China, where it has been present since the 1980s. China comprised just under 40% of the company's global vehicle deliveries in 2022.80 Volkswagen opened a plant in Urumqi, Xinjiang in 2013 as part of a joint venture with SAIC Motor. Over recent years, multinational corporations have faced allegations of using forced labour in their operations in this region. In late 2022, global financial services company MSCI responded to allegations of forced labour by assigning a 'red flag' controversy to Volkswagen. As part of our engagement with the company, we were looking for the following:

- An understanding of the nature of Volkswagen's presence in Xinjiang and how it enforces its governance practices via the joint venture
- To work with the company to identify a solution to obtain the removal of the red flag from the external agency
- To determine long-term solutions to prevent future governance controversies relating to human rights or labour related practices.

How did you engage with the company?

We have maintained a regular and continuous dialogue with the company for many years on its strategic direction and other governance questions, for example, following the Dieselgate scandal in 2015. Since MSCI assigned a red flag controversy, we increased our dialogue with the company further, and have discussed the question of human rights and the company's presence in Urumqi with senior management including the chief financial officer and head of treasury, as well as investor relations. Engagement has taken place via multiple communication channels, including in-person, conference calls and written correspondence. The engagement activity has been led by LGIM's Active Strategies team, as the credit analyst has the greatest familiarity with the company, but communication with the company has also incorporated members of the Investment Stewardship team.

What was the outcome of the engagement?

Over recent years we have considered Volkswagen's presence in Xinjiang as carrying relatively higher risk compared with peers with more limited operations in the region, due to the increased scrutiny that this was likely to attract at some point. We downgraded our internal recommendation of the company in November 2022 partly due to this factor. Our engagement with Volkswagen has been well received and we are happy that the company has taken the issue very seriously and acted to attempt to resolve the situation in a proactive and pragmatic manner. Following multiple discussions with investors, Volkswagen resolved to obtain an independent audit of its joint venture plant in Xinjiang, which was conducted in December 2023. This audit was conducted by Loening – Human Rights & Responsible Business, and appears to address the main concerns around operations at the plant. The completion of the audit resulted in MSCI subsequently removing its red flag controversy. As a result of the removal of the red flag, it is now possible for a greater proportion of LGIM funds to participate in new Volkswagen bond issuances. In addition, our credit analyst saw a short-term relative value opportunity in the company's bonds following the positive technical related to the removal of the MSCI flag. We will continue to engage with Volkswagen on the subject of human rights and other governance topics, including the long-term future of the plant in Xinjiang and retain an open dialogue with the company and its management.

Manager: Insight Active Corporate Bond Portfolio

Name of entity: Crédit Agricole

Section: Vodafone Section

Topic of engagement: Environment – Climate Change

Why was the company the subject of engagement?

Crédit Agricole (CA) is a French international banking group and the world's largest cooperative financial institution offering banking and insurance services. This engagement was identified as part of our counterparty engagement programme. CA's ESG disclosures are poor despite fairly strong policies. We engaged with the objective of improving their disclosures and policies.

This engagement is aligned to SDG 8 Decent Work and Economic Growth, SDG 10 Reduced Inequalities, SDG 12 Responsible Consumption and Production and SDG 13 Climate Action.

How did you engage with the company?

Despite being a first mover on coal and having strong policies, CA was reported to have the highest amount of fossil fuel financing amongst its European peers. They appear to use 'carbon neutrality' and 'net zero' interchangeably when referencing the latter. It has committed to ceasing project financing directly related to unconventional hydrocarbons extraction as of January 2022 and exclude direct financing of oil and gas projects in the Arctic zone in their annual report but have yet to reflect this in their policies. Its commitments to reduced absolute financed emissions by 30% for oil and gas clients is progressive but could go further to target reduction of exposure to oil and gas. They should also report clearer on their client transition plan assessments and carbon impact of new loans. They are not reporting facilitated emissions as they believe this is not their responsibility as bookrunners (issuers and investors are responsible) but we think this overlooks the role they play in advising issuers, which plays a key aspect in reducing global emissions. Their green bond framework was discussed and we recommended including maximum lookback periods. Their biodiversity policy is lagging peers given agriculture (and therefore biodiversity) is the 3rd highest sector that CA reports financed emissions for and is therefore a key risk in its financing. There is strong board-level diversity and a long-term incentive plan in place but more transparency around the ESG metrics used to determine LTIP allocations should be disclosed. It has set targets to increase their international workforce from 35% to 40% and is expecting its human capital score from MSCI to improve in time when its 2022 reporting is taken into consideration.

What was the outcome of the engagement?

CA is fairly progressive with regards to their environmental policies, ESG strategy and approach but its lengthy and unclear reporting approach (e.g., their TCFD report is embedded within their Universal Registration Document and sector-based targets for agriculture, aviation, residential real estate, shipping and steel are expected towards the end of 2023, alongside targets for oil and gas, power, auto, commercial real estate and cement – though these numbers do not always reconcile) has cost it to score poorly in our Net Zero model ('committed'), falling short on targets, disclosure and decarbonisation strategy. We followed up over several emails following the meeting and will continue to engage with CA to improve their disclosures over time.

Name of entity: Barclays plc

Section: CWW Section

Topic of engagement: Environment – Climate Change

Why was the company the subject of engagement?

Barclays is a UK-based bank that operates globally. This engagement was identified as part of Insight's counterparty engagement programme. With growing operations in the US, the political environment related to ESG is directly impacting the bank. The latest engagement sought to discuss the bank's sustainable finance framework and the feedback we have provided, given some elements of their environmental programme lags behind their peers.

This engagement is aligned to SDG 13 Climate Action.

How did you engage with the company?

Barclays' sustainable finance framework was updated in 2022 when the target was revised from $150bn to $1tr. However, they have yet to set accredited science-based targets, continue to engage with SBTi but are prioritising NZBA and the majority of their portfolios to have financed emissions targets. Impact bonds were discussed in the context of stricter policy criteria covering refinancing of old projects, maximum lookback periods, EU taxonomy alignment, use-of-proceeds investor reporting, energy efficiency, target populations, definitions (e.g., what constitutes 'sustainable protein') and overarching governance. Their revenue-based threshold around artic drilling is high (50%) given they recognise the different dependencies on fracking between the UK and US and will remain flexible in their approach, noting that a significant proportion of their financing relates to cash flows rather than project financing.

What was the outcome of the engagement?

Following on from our recommendations, BACR has enhanced its oil sands policy and introduced a Client Transition Framework demonstrating how the bank is evaluating its corporate clients' transition progress towards low-carbon business models. They also acknowledged their risk policy guidelines are due for an update. We recommended that BACR continues to align its sector policies (to address exclusions relating to arctic, general oil and gas; and fracking) to IEA guidance; provide additional details on the assessment, support of and escalation (without terminating relationships) procedures relating to clients on climate-related issues under their Client Transition Framework in their next annual report; set science-based targets to improve transparency and comparability with competitors; increase scope of assurance on scope 1, 2, 3 emissions; transparency around its lobbying practices.

Name of entity: Nestlé SA

Section: Vodafone & CWW Sections

Topic of engagement: Human Rights

Why was the company the subject of engagement?

Nestlé SA is a multinational packaged food company that manufactures and markets more than 2,000 brands. Our engagement with Nestlé was driven by the company being flagged on a United Nations Global Compact (UNGC) Watch List over human rights and biodiversity issues in its supply chain. We engaged with Nestlé to understand how the issuer was addressing the controversy. For our assessment, we believe the company exhibits some best in class practices when it comes to supply chain labour standards. However, the company has a large supply chain with many layers and 30% of its sales come from developing countries, which exposes it to a higher risk of labour management and environmental controversies.

How did you engage with the company?

Nestlé outlined certain sectors in which it operates are more susceptible to child labour risks. For example, 40% of global cocoa supply stems from the Ivory Coast -53.5% of the population is under 19 years old, creating conditions more amenable to child labour risks. The issuer also stated that cases of 'forced labour' are rare in Nestlé's cocoa supply chain. Since 2012, it has uncovered three violations of forced labour guidelines and immediately took action to report and remedy them.

We asked Nestlé to explain its Child Labour Monitoring and Remediation System (CLMRS) and whether it had implemented a 0% child labour rate target. Nestlé stated it was one of the few companies to report on child labour. The issuer has had a CLMRS since 2012 and in the first five years of its existence, the child labour rate was around 17% based on a sample size of 40,728. Over the period, 51% of those initially identified as participating in hazardous activities no longer were due to initiatives put in place by the issuer (e.g. education). Nestle has increased the coverage and scope of the CLMRS since its inception and plans to expand it further to other geographies.

Nestlé stated it views access to education as a way to alleviate child labour risk and has instituted policies to develop education in areas where children are at higher risk of exploitation. Nestlé was the first of its peers to institute an income accelerator, giving parents extra money to facilitate access to education for their children and the parents have to provide proof that their children remain enrolled.

Nestlé does not currently have a 100% child labour free target, but it has goals to source 100% of its cocoa for confectionary products under the under the Nestlé Cocoa Plan by 2025. The Nestlé Cocoa Plan encompasses the CLMRS monitoring and income accelerator initiatives. Similar programmes exist for its coffee supply chain.

What was the outcome of the engagement?

We expect Nestlé will remain on the MSCI UNGC watchlist until the issuer meets its targets in 2025. We will monitor its progress. In addition, new regulation Corporate Sustainability Due Diligence Directive (CSDDD) requires enhanced supply chain transparency and traceability, which should help to manage this issue.

We suggested several objectives for Nestlé to alleviate the human rights issues in its supply chain. Firstly, to implement an official target for 0% children in the supply chain involved in hazardous work. Secondly, extend the scope of the Child Labour Monitoring and Remediation Systems programme to cover the entire supply chain (where relevant) and publish an update on CLMRS progress as no metrics have published since the 2019.

Given Nestle's reasonable overall Prime ESG scores, solid credit ratings, robust policies, and the implementation of the CSDDD we believe a follow up engagement is low priority for now. Should Nestle deteriorate on any of the child labour issues, we will re-engage.

Manager: Insight High Grade ABS Fund

Name of entity: European Data Warehouse (EDW)

Section: Vodafone & CWW Sections

Topic of this engagement: Data provision and reporting of market level ESG data

Why was the company the subject of engagement?

The European Data Warehouse is the central depository for EU and UK secured reg reporting, including all of the monthly ESMA and BOE templates for securitisations in those jurisdictions. Improving data availability and comparability across the market is an important step in enhancing ESG analysis and reporting. This is likely to be a multi-year engagement, with the ultimate goal the collection and provision of sufficient ESG data to enable consistent ESG analytics comparable with the progress made so far for corporate bonds.

How did you engage with the company?

We continue to engage with regulators and data providers to improve data analytics. Specifically with EDW we discussed the current EDW/ESMA mandate in terms of reporting and explained how Insight consumes this data currently. We met with the key account manager at EDW and suggested the introduction of a data aggregation tool to pool information on public deals on the same parameters, such as the EPC rating across a residential collateral pool. The engagement was led by a portfolio manager and analyst within the secured finance team. EDW also collate information across private deals - Insight requested that some of this data (such as geography, currency, asset class as well as ESG data where available) could be provided (on an anonymised basis) to investors.

What was the outcome of the engagement?

EDW were receptive to engagement and although the ideal outcome will likely take time (and repeat engagements) it is an important discussion with a key, central data provider in the absence of credible external data providers at present. EDW have prepared reports that might help to engage EPC scores and map ESG ratings across geographies. They will schedule a follow-up with their research team as to how this could be improved to meet our (and other industry participant) needs. We will also review and compare to our requirements and establish appropriate future engagement needs with EDW.

Name of entity: Pepper

Section: Vodafone & CWW Sections

Topic of this engagement: ESG Considerations in their loan obligation and underwriting process

Why was the company the subject of engagement?

Pepper is a significant issuer in the Australian market and is widely held across our portfolio. ESG had previously not formed part of their loan origination process so we identified them as an issuer to engage with to raise this as an area of concern. At this stage, raising the issue and determining their level of engagement is the first step towards better disclosures to enable our ESG analytics to be conducted more thoroughly. Subsequent follow-up section highlights repeat engagement allowing for more detailed ESG discussions with originator and to maintain focus on key outcomes.

How did you engage with the company?

Engagement first occurred in Q4 2022, in a single meeting between Insight (senior portfolio manager) and the Deputy Head of Treasury at Pepper. Subsequent engagement held in Q2 2023 relating to new product range and EPC data analysis. Issuer is now showing borrowers the potential EPC improvements they can make to their properties and linking into new business. Cash back opportunities for an EPC focussed 2nd lien loan. Investigating the possibility of providing EPC details to investors across their back book, although limited appetite from other investors (away from Insight) so far.

What was the outcome of the engagement?

Pepper confirmed that ESG considerations were not a significant part of their loan origination and underwriting processes. Furthermore, ESG had not, to date, been part of their disclosures at either a corporate or issuer level. Insight raised this as an area of concern and Pepper agreed that disclosures needed to improve and would be looking to build on a number of ESG metrics in their annual reports. Insight also raised the issue of loan origination practices and Pepper agreed that this was something they were reviewing, although had no immediate plans to amend their origination policies. Outcome is positive in terms of disclosures (although the annual report will need to be reviewed to confirm they are appropriate). Loan level disclosures and loan practices need continued engagement.

Name of entity: Lloyds

Topic of this engagement: ESG reporting from future securitisations

Why was the company the subject of engagement?

Lloyds is a major player in the UK residential financing market and as central bank financing measures ease / roll-off are likely to step up their use of the securitisation market. This example highlights the direct work we undertake with issuers to improve their understanding of what matters to investors surrounding ESG and how they can improve their disclosures. Longer-term, greater transparency will enable greater analysis and potentially differentiation within RMBS deals.

How did you engage with the company?

Engagement has been ongoing with Lloyds, with this example being between a portfolio manager in the Secured Finance team and member of the Lloyds Treasury team responsible for future funding plans at Lloyds. This was a 1-2-1 engagement. We discussed their likely funding paths over the next 5 years and the impact that ESG requirements (amongst other factors) might have upon that. Peer group approaches (such as Kensington's rate incentives were discussed), as was the provision of EPC certificates across their loan deals.

What was the outcome of the engagement?

Lloyds agreed to provide EPC certification data on their new originations, but confirmed there remain issues relating to data provision on their (large) backbook. For MasterTrust structures, the net effect will be for EPC data to be lower than their new book of lending, albeit where coverage is expected to rise over time. Insight to monitor provision of EPC information on data tapes, as well as continue to engage where Lloyds brings new issuance to market on top of ad-hoc discussions on firm-wide strategy and disclosures.

Manager: Greencoat Solar II Fund

Strategy: Renewable Infrastructure

Section: Vodafone & CWW Sections

Topic of this engagement: Climate change

An example of an ongoing engagement with industry bodies has been Solar II's collaboration with the Solar Stewardship Initiative.
In 2023, Greencoat Solar continued its support for the Solar Stewardship Initiative ('SSI'), an industry -wide scheme to establish a solar PV industry supply chain framework to address modern slavery issues linked to polysilicon production in high-risk areas. A member of Greencoat's Solar Team sits on the Responsible Sourcing Committee Board. Following the successful conclusion of the SSI pilot and public multi-stakeholder consultation, the new SSI ESG Standard was published in 2023.

Manager: Equitix Fund V

Strategy: Social Infrastructure

Section: Vodafone & CWW Sections

Topic of this engagement: Climate change

Throughout 2022 to 2024, Equitix has developed the basis of a climate risk framework focused on identifying and prioritising where physical climate hazards and transitional risks could impact operational and / or financial performance over Equitix's remaining investment period. For the physical risk component, Equitix engaged an external consultant with extensive experience in undertaking physical climate risk analysis in the built environment in order to apply the framework and identify which assets Equitix should prioritise for further engagement - i.e. through escalation of climate risk as a Board priority at asset level.

Topic of this engagement: Human rights

HS1 has developed a Social Value Framework which focuses on maximising social value both internal and external to the business, and achieved the Gold Standard for The Investors in People Accreditation. HS1 supports its staff with training, qualifications and secondments amongst other projects.
Topic of this engagement: Corporate governance

In its most recent PRI assessment, Equitix received 4* for Policy Governance and Strategy, and 5* for Confidence building measures. This is a reflection of the development of internal controls and continued integration of ESG considerations throughout the investment process.

Section 4: Conclusion

The Trustee has assessed adherence to the engagement policies set out in the SIP, both for the period from April 2023 to July 2023 prior to the changes in July 2023, and the period from July 2023 to March 2024. The Trustee believes that these policies have been adhered to over the Scheme year and will continue to monitor the investment managers' stewardship practices on an ongoing basis.

Following monitoring of the Scheme's investment manager over the year, and reviewing the voting information outlined in this statement, the Trustee is satisfied that LGIM is acting in the Scheme members' best interests and are effective stewards of the Scheme's physical equity assets.

The Trustee will continue to monitor the investment managers' stewardship practices on an ongoing basis.

Appendix 1: LGIM's voting policy

Policy on consulting clients:

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Process for deciding how to vote:

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Use of proxy voting services:

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions

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

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