Sky Pension Plan
Annual Implementation Statement for the year-ended 30 June 2024

1. Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Sky Pension Plan (the "Plan") covering the year to 30 June 2024. The purpose of this statement is to:

- Set out the extent to which, in the opinion of the Trustee, the Plan's Statement of Investment Principles ("SIP") required under section 35 of the Pensions Act 1995 has been followed during the year
- Detail any reviews of the SIP the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review
- Describe the voting behaviour by, or on behalf of, the Trustee over the year.

A copy of this implementation statement, as well as the latest SIP will be/has been made available on the following website: www.skypensionplan.com.

2. Review of, and changes to, the SIP

The SIP was reviewed and updated once during the last Plan year, in September 2023, with changes made to reflect the new investment arrangements with Legal & General Investment Management (LGIM) following the transfer of the Plan's investments to the LGIM investment platform. The changes also captured the new "white-labelled" fund structure, and some changes to the underlying fund components. The September 2023 SIP remained in force throughout the remainder of the Plan year, although it has been updated since the end of the Plan year

3. Adherence to the SIP

Overall the Trustee believes the policies outlined in the SIP have been adhered to during the Plan year. The remaining parts of this implementation statement set out details of how this has been achieved for the Plan. These details relate to those parts of the SIP which set out the Trustee's policies, and not those which are statements of fact.

4. Investment Principles

<u>Defined Contribution assets</u>

For the Defined Contribution assets the Trustee gives members a choice of investments via pooled funds.

Sky Pension Plan
℅ Sky UK Limited, Grant Way, Isleworth, Middlesex TW7 5QD
Pension Scheme Registry Number: 10180641

The Plan also offers a range of pre-determined lifestyle strategies. The aim of the lifestyle strategies is for members to achieve a reasonable level of long-term growth on the investments over the majority of their working life. The lifestyle strategies automatically switch assets between investment funds as members approach their selected retirement age. A choice of different Lifestyle options – targeting cash, annuity purchase or income drawdown – are available, reflecting the different ways in which members may choose to take their benefits at retirement.

Full details of all the investment options are provided in the SIP and on the Plan website.

During the Plan year the Trustee completed its project to review the way in which investment funds are offered to members, specifically to implement a single investment platform to host all the funds. This brings operational advantages to the Plan and members, enabling greater flexibility over the range and types of funds offered, and will create opportunities to enhance value for members. All investments were transferred to a platform operated by LGIM. A number of changes have also been made to the range of funds, and these are reflected on the Plan website at www.skypensionplan.com.

During the Plan year the Trustee continued its triennial review of the Plan's investment strategy, considering the demographic make up of the membership, their expected risk tolerance and the ways in which they are expected to take their retirement benefits. This review has concluded that the default option for new joiners should be changed from one which focuses on members targeting cash withdrawal at retirement to one which focuses on members taking income drawdown. In addition the Trustee agreed that those members in the current cash lifestyle arrangements who are more than 10 years from their target retirement age should be switched to a drawdown lifestyle option, as the Trustee expects more members in the future to choose to access their benefits in this way. These changes are due to be implemented later in 2024.

Unallocated assets

For the Unallocated assets the Trustee has invested in three pooled bond funds, details of which are provided in the SIP. These funds have been chosen to closely match the duration of the underlying liabilities, and the split between fixed and inflation linked liabilities, as well as to provide the appropriate degree of liquidity.

Suitability of investments

The Trustee received regular reports from its investment consultant during the Plan year to monitor the funds and managers, and to assess their overall suitability. The Trustee will continue to review the funds, and was also been done in connection with the project to implement a single investment platform as noted above.

Financially material considerations

The Trustee recognises that environmental (including climate), social and governance (ESG) matters are financially material over the long-term. The Trustee has had engagement with their main investment manager, LGIM during the year.

The quarterly monitoring report provided by the investment consultant includes ratings of all managers. These are research reports that provide a rating on the investment manager, with a focus on culture and a sustainability assessment embedded. Sustainable investment is built into the investment consultant's research process which the Trustee has access to. In addition, the investment consultant provided a report for the Investment Sub-Committee covering its ratings and views on the Sustainable Investment policies of all the investment managers. Generally, managers scored well on the majority of factors considered. The Trustee will continue to focus strongly on this area.

During the Plan year the Trustee also continued work to consider the requirements of new Climate Risk Governance and Disclosure legislation, which came into effect for the Plan on 1 October 2022. These requirements are based on the principles of the Task Force for Climate-Related Financial Disclosures (TCFD). They require the Trustee to identify, measure and monitor risks and opportunities caused by the impact of climate change on the Plan's investment funds, and to publish an annual report. The first report, covering the Plan year ending 30 June 2023, was published in December 2023, and the next report, covering the Plan year ending 30 June 2024, will be published in December 2024.

Managing risk

The Trustee considers risk from a number of perspectives:

- Inflation Risk
- Annuity Conversion Risk
- Opportunity Cost Risk
- Capital Risk
- Manager Risk
- Insolvency Risk
- Operational Risk

The New Cash Lifestyle is selected as the Plan's default investment strategy to manage the risks which members are exposed to.

During the Plan year the Trustee and Investment Sub-Committee have considered, monitored and managed these risks in a number of ways:

- Through the range of funds offered to members, which, taken together, enable members to manage risk appropriately through their Plan membership.
- Through the quarterly monitoring reports from its investment consultant, which also include ongoing monitoring of the fund managers.
- Through the triennial investment strategy reviews, which assess the Plan's Lifestyle options against a number of risk metrics, to ensure these are being managed appropriately.

The Trustee provides the members with factsheets on a quarterly basis and information on all the investment funds, which includes an explanation of the risks associated with investing.

Relationships with Investment Managers

The Trustee takes steps to ensure that all investment funds used within the Plan are suitable for their members and are managed in a way that is consistent with their policies. Each investment manager has been provided with a copy of the SIP to ensure they are aware of the Trustee's policies and expectations. The Trustee is satisfied that there are no inconsistences between the management of the assets and the policies in the SIP.

Monitoring

The Trustee and Investment Sub-Committee monitor the performance of all the investment funds via the quarterly monitoring reports provided by their investment consultant.

Through these reports the Trustee monitors the markets, asset movements and their managers' performance over the year.

Fees are monitored throughout the year, and the Trustee also received details on costs and charges from their fund managers, to assist in their governance responsibilities. These costs include costs associated with portfolio turnover, and overall all costs and charges are deemed to be within expectations.

5. Voting and engagement

The Trustee has delegated the day to day voting and engagement activity to its investment managers. The Trustee expects their fund managers to have effective stewardship, both through voting and engagement.

In 2023 the Trustee discussed and agreed a series of priority areas for stewardship which it believes are important, as poor policies and/or practices in these areas are likely to materially impact on the value of investee companies. These priority areas are:

- Climate Change
- Diversity & Inclusion
- Modern Slavery

The remainder of this document provides additional detail on the key voting and engagement activities for the Investment Managers during the year, in respect of those funds where the manager is eligible to vote as a shareholder (i.e. funds which invest in equities). These are LGIM, M&G, MFS, Veritas and HSBC. The managers have provided examples of “significant” votes undertaken through the year under the headings of the priority areas noted above.

Legal & General Investment Management (LGIM)

LGIM's process for deciding on how to vote
All decisions are made by LGIM's Investment Stewardship team and in accordance with their 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 LGIM's stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's 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 they do not outsource any part of the strategic decisions. The use of ISS recommendations is purely to augment LGIM's 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 LGIM receive from ISS for UK companies when making specific voting decisions.

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

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

Voting Statistics – LGIM Funds

Manager and strategy	Eligible Votes	Exercised Votes	% of votes against management	% of meetings abstained from
LGIM Future World Global Equity Index	52,212	100%	20%	0%
LGIM Future World Multi-Asset	91,840	100%	23%	0%
LGIM UK Equity Index	10,462	100%	6%	0%
LGIM 50:50 Global Equity Fixed Weights Index	39,303	100%	18%	0%

Significant votes – LGIM Funds

LGIM Future World Multi Asset Fund	**Company**	Toyota Motor Corp.
	Resolution	Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement
	Stewardship priority	Climate Change
	Company management recommendation	Against
	Investment Manager Vote	For
	Rationale for 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, they 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 Motor Corp to improve its governance structure to oversee this climate lobbying review. They 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.
	Outcome	Fail
LGIM Future World Global Equity	**Company**	JPMorgan Chase & Co.
	Resolution	Resolution 9 - Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets
	Stewardship priority	Climate Change

	Company management recommendation	Against
	Investment Manager Vote	For
	Rationale for voting decision	LGIM generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. LGIM 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	Fail
LGIM UK Equity Index	**Company**	Shell Plc
	Resolution	Resolution 25 - Approve the Shell Energy Transition Progress
	Stewardship priority	Climate Change
	Company management recommendation	Against
	Investment Manager Vote	Against
	Rationale for 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, they remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.
	Outcome	Pass
LGIM Global Equity Fixed Weights (50:50) Index Fund	**Company**	Experian Plc
	Resolution	Resolution 14: Re-elect Mike Rogers as Director
	Stewardship priority	Diversity & Inclusion
	Company management recommendation	For
	Investment Manager Vote	Against
	Rationale for voting decision	A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executive officers to include at least 1 female.
	Outcome	Pass

M&G **M&G's process for deciding how to vote** An active and informed voting policy is an integral part of M&G's investment philosophy. In their view, voting should never be divorced from the underlying investment management activity. By exercising their votes, M&G seek both to add value to their clients and to protect their own interests as shareholders. M&G consider the issues, meet the management if necessary, and vote accordingly. Ultimately, voting decisions are taken in the best interests of clients, and decision-making takes into account a wide range of factors. Whilst M&G do not solicit clients' views, they would take them into account should they be known to them. They would vote against proposals that compromise clients' interests. May not vote in favour of resolutions where they are unable to make an informed decision on the resolution because of poor quality disclosure, or due to an unsatisfactory response to questions raised on specific issues. M&G would always seek to discuss any contentious resolutions with company management before casting votes, in order to ensure that objectives are understood. However, they do consider it unnecessary to inform investee companies ahead of meetings of routine capital management resolutions that they typically oppose, as their position is clearly disclosed. M&G disclose their complete voting record quarterly on their website, allowing any other stakeholders the opportunity to see rationale https://global.mandg.com/our-business/mandginvestments/responsible-investing-at-mandg-investments.
M&G's use of proxy voting services M&G use the research services of ISS and IVIS (Investment Association). Proxy voting activity is instructed through the ISS voting platform, ProxyExchange. They use the ISS custom service to flag resolutions that may not meet their policy guidelines. Voting decisions are taken by the Sustainability and Stewardship team at M&G, often in consultation with fund managers. Some routine resolutions are voted by ISS on M&G's behalf when clear criteria have not been met.

Voting Activity - M&G UK Equity Recovery Fund

Voting Activities

- There were 1,366 eligible votes for the fund over the 12 months to 30 June 2024
- The manager exercised 100% of its votes over the year
- 0% of votes were against management and 0% were abstained

Example of significant vote: Unilever Plc

Resolution: Approve Climate Transition Action Plan

Stewardship priority: Climate Change

Company management recommendation: For

Investment manager vote: For

Rationale for the voting decision:
M&G believe the company's climate transition plan includes clear targets, specific actions and is governed by an appropriate governance framework

Outcome: Pass

Example of significant vote: Hummingbird Resources plc

Resolution: Re-elect Daniel Betts as Director

Stewardship priority: Diversity & Inclusion

Company management recommendation: For

Investment manager vote: Abstain

Rationale for the voting decision:

Concerns over Board gender diversity and corporate governance

Outcome: Pass

Schroders

Schroders' process for deciding how to vote

Schroders evaluate voting resolutions arising at their investee companies and, where they have the authority to do so, vote on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients. Schroders' Corporate Governance specialists assess each proposal, applying the internal voting policy and guidelines to each agenda item. In applying the policy, they consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Their specialists will draw on external research, such as the Investment Association's Institutional Voting Information Services and ISS, and public reporting. Schroders' own research is also integral to the process; this will be conducted by financial and Sustainable Investment analysts. For contentious issues, their Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders' use of proxy voting services

Glass Lewis (GL) act as Schroders' one service provider for the processing of all proxy votes in all markets. GL delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receive recommendations from GL in line with their own bespoke guidelines, in addition, they receive GL's Benchmark research. This is complemented with analysis by Schroders' in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.

Voting activity - Schroders Global Climate Change Fund

Voting Activities

- There were 1,081 eligible votes for the fund over the 12 months to 30 June 2024
- The manager exercised 97% of its votes over the year
- 11% of votes were against management and 0.1% were abstained

Example of significant vote: Microsoft Corporation

Resolution: Report on Risks of Operating in Countries with Significant Human Rights Concerns

Stewardship priority: Human Rights

Company management recommendation: Against

Investment manager vote: For

Rationale for the voting decision: Schroders believe shareholders would benefit from further disclosure on how the company mitigates risks in markets in which it operates where there are significant human rights concerns. Schroders believe how they have voted is in the best financial interests of their clients' investments.

Outcome: Fail

Example of significant vote: Kroger Co.

Resolution: Shareholder Proposal Regarding Living Wage Policy

Stewardship priority: Human Rights

Company management recommendation: Against

Investment manager vote: For

Rationale for the voting decision: Support FOR this proposal is warranted as Schroders believe that all stakeholders would benefit from the company adopting a living wage policy which resulted in security for its employees and enables them to meet theirs and their families' basic needs. Schroders believe how we have voted is in the best financial interests of our clients' investments.

Outcome: Fail

MFS

MFS's process for deciding on how to vote

MFS maintains their own publicly available voting policies and procedures (the MFS Proxy Policies), which guide all their voting decisions and provide a framework for voting decisions at approximately 2,000 meetings in over 50 markets each year. The exercise of voting rights is overseen by the MFS Proxy Voting Committee, which consists of senior members of MFS' Investment, Legal and Global Investment Support departments. The MFS proxy voting committee encompasses a diverse range of perspectives, which they believe leads to a thoughtful and collaborative process that guides MFS' voting decisions and policy development. This committee does not include individuals whose primary duties relate to client relationship management, marketing or sales.

The day-to-day management of their voting and engagement activity is performed by MFS's proxy voting team. As an active manager, they can combine the collective expertise of the proxy voting team with the unique perspectives and experience of their global team of investment professionals. This process enables them to formulate viewpoints with multiple inputs, which they believe leads to well-informed voting decisions.

The proxy voting team will engage in a dialogue or written communication with a company or other stakeholders when they believe that the discussion will enhance their understanding of certain matters on the company's proxy statement that are of concern to shareholders, or regarding certain thematic topics of focus for the proxy voting committee.

All voting decisions are made in what MFS believe to be the best long-term economic interests of their clients.

MFS's use of proxy voting services

MFS have entered into an agreement with Institutional Shareholder Services, Inc. (ISS) to perform various proxy voting-related administrative services, such as vote processing and recordkeeping functions. While MFS also receive research reports and vote recommendations from ISS and Glass, Lewis & Co., Inc., MFS analyses all proxy voting issues within the context of the MFS Proxy Policies, which are developed internally and independent of third-party proxy advisory firms. MFS's voting decisions are not defined by any proxy advisory firm benchmark policy recommendations. MFS has due diligence procedures in place to help ensure that the research they receive from our proxy advisory firms is accurate and to reasonably address any potentially material conflicts of interest of such proxy advisory firms.

Voting activity - MFS Global Equity Fund

Voting Activities

- There were 1,504 eligible votes for the fund over the 12 months to 30 June 2024
- The manager exercised 100% of its votes over the year
- 3% of votes were against management and 0% were abstained

Example of significant vote: Aena S.M.E SA

Resolution: Advisory Vote on Company's 2023 Updated Report on Climate Action Plan

Stewardship priority: Climate Change

Company management recommendation: For

Investment manager vote: For

Rationale for the voting decision: MFS believe the company is improving its disclosures, reducing carbon emissions, enhancing carbon targets for the scope 1-3 factors that are most in its control, and encouraging other actors in the supply chain to accelerate decarbonization.

Outcome: Pass

Example of significant vote: Alphabet Inc.

Resolution: Publish Human Rights Risk Assessment on the AI-Driven Targeted Ad Policies

Stewardship priority: Human Rights

Company management recommendation: Against

Investment manager vote: For

Rationale for the voting decision: MFS believe the growing use of AI to drive advertising presents new and unconsidered risk, and the board currently has limited oversite on this topic. Further investigation and disclosure would be beneficial in understanding this risk.

Outcome: Fail

Veritas

Veritas's process for deciding on how to vote

Veritas's investment analysts will receive all relevant proxies and determine if he or she believes that they should vote in favour or against management. After discussing with the Portfolio Manager and making a final decision, the analyst will instruct the custodian or prime broker via the Operations Team how to vote. This is done via ISS, and the role of the Operations Team is to ensure that the voting of proxies is done in a timely manner. The Role of the Chief Operating Officer ("COO") is to monitor the effectiveness of these policies. In the case where VAM LLP decides to vote against management or the ESG policy vote recommendation (see below), an explanation will be provided to clients.

Veritas's use of proxy voting services

Veritas use Institutional Shareholder Services ("ISS") to execute voting on behalf of clients. They have also mandated ISS to construct a customized screen for various ESG issues as described below. Veritas have mandated Institutional Shareholder Services ("ISS") to construct a customised screen for ESG issues which incorporates the Association of Member Nominated Trustees ("AMNT") Red Lines, on a best endeavours basis. The AMNT Red Line Voting Policy contains 29 guidelines covering topics associated with ESG. Should any of the 29 red lines be breached, the instruction is to either comply or explain. Given this Red Line Voting Policy was developed principally for pooled fund investors (who have been unable to direct votes) and for UK stocks only, they have instructed ISS to apply the guidelines globally where applicable and apply the policy across all clients.

Voting activity - Veritas Global Focus Fund

Voting Activities

- There were 443 eligible votes for the fund over the 12 months to 30 June 2024
- The manager exercised 100% of its votes over the year
- 7% of votes were against management and 0% were abstained

Example of significant vote: Microsoft Corporation

Resolution: Report on Risks of Operating in Countries with Significant Human Rights Concerns

Stewardship priority: Human Rights

Company management recommendation: Against

Investment manager vote: For

Rationale for the voting decision: Shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries.

Outcome: Fail

Example of significant vote: The Cooper Companies, Inc.

Resolution: Elect Director William A. Kozy

Stewardship priority: Climate Change

Company management recommendation: For

Investment manager vote: Against

Rationale for the voting decision:
Voted AGAINST this director as he is Chair of the Corporate Governance and Nominating Committee. Under the Duties & Responsibilities of the said committee, Item 6. notes: Monitoring and overseeing the Company's strategy, practices and initiatives related to corporate responsibility and sustainability, including environmental, social and governance (ESG) matters, and matters impacting the Company's image and reputation and standing as a responsible corporate citizen. Veritas agreed Red line E3 had been breached: The company had failed to commit to introducing and disclosing science-based emission reduction targets with a coherent strategy and action plan in line with a 1.5-degree scenario. The company had additionally failed to meet deadlines stated to Veritas in 2022 and 2023.

Outcome: Pass

HSBC
HSBC's process for deciding on how to vote HSBC exercise their voting rights as an expression of stewardship for client assets. They have global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.
HSBC's use of proxy voting services HSBC use the leading voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of our voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene HSBC's guidelines. They review voting policy recommendations according to the scale of their overall holdings. The bulk of holdings are voted in line with the recommendation based on HSBC's guidelines.

Voting activity – HSBC Islamic Global Equity Index Fund

Voting Activities
– There were 1,239 eligible votes for the fund over the 12 months to 30 June 2024 – The manager exercised 94% of its votes over the year – 22% of votes were against management and 0% were abstained
Example of significant vote: Nvidia Corporation **Resolution:** Elect Director Stephen C. Neal **Stewardship priority:** Diversity & Inclusion **Company management recommendation:** For **Investment manager vote:** Against **Rationale for the voting decision:** HSBC are voting against this Nomination Committee Chair as they have concerns about insufficient gender diversity of the board. **Outcome:** Pass
Example of significant vote: Exxon Mobile Corporation **Resolution:** Report on Median Gender/Racial Pay Gaps **Stewardship priority:** Diversity & Inclusion **Company management recommendation:** Against **Investment manager vote:** For **Rationale for the voting decision:** HSBC believe that the proposal would contribute to improving gender inequality. **Outcome:** Fail

Summary of engagement activity over the year

The following table outlines case studies of a number of engagements undertaken by the Plan's investment managers. The case studies selected reflect the stewardship priority topics set by the Trustee. These engagements have been undertaken by the managers on behalf of all their clients who delegate this activity to them, and the statements made are attributed to the managers and do not necessarily reflect the personal views of the Trustee Directors.

Engagement case studies - LGIM
Company: Exxon Mobil **Topic:** Climate change (Climate Impact Pledge) **Summary of engagement:** "We have been engaging with Exxon Mobil since 2016 and they have, over time, participated willingly in our discussions and meetings. Under our Climate Impact Pledge, we identified a number of initial areas for concern, 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. Levels of individual typically engaged with include the Head of Sustainability, Lead Independent Director, the Company Secretary and Investors Relations. Our regular engagements with Exxon Mobil have focused on our expectations under the Climate Impact Pledge, as well as several other material issues for the company, including capital allocation and business resiliency. The improvements made have not so far been sufficient in our opinion, which has resulted in escalations. The first escalation was to vote against the re-election of the Chair, from 2019, in line with our Climate Impact Pledge sanctions. Subsequently, in the absence of further improvements, we placed Exxon Mobil on our Climate Impact Pledge divestment list (for applicable LGIM funds) in 2021, as we considered the steps taken by the company so far to be insufficient for a firm of its scale and stature. Nevertheless, our engagement with the company continues. In terms of further voting activity, in 2022 we supported two climate-related shareholder resolutions (i.e. voted against management recommendation) at Exxon's AGM, reflecting our continued wish for the company to take sufficient action on climate change in line with our minimum expectations. Further escalating our engagement, LGIMA and CBIS co-filed a shareholder resolution at Exxon's 2023 AGM, requesting the company to disclose the quantitative impact of the IEA NZ scenario on all asset retirement obligations (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 (AROs) in a carbon constrained future, and that it is financially material information. 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." **Outcome of engagement:** "Since 2021, we have seen notable improvements from Exxon Mobil regarding our 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 targets, improved disclosure of lobbying activities and more recently, the commitment made by the company to join the leading global partnership on methane, OGMP 2.0. However, there are still key areas where we require further improvements, including

inclusion of Scope 3 emissions targets, further quantifiable disclosure of business resiliency and asset retirement obligations across relevant scenarios, capital allocation, and improving the level of ambition regarding interim targets. We are also seeking further transparency on their lobbying activities.

The company remains on our divestment list (for relevant funds), but our engagement with them continues. In terms of our next steps, we will continue our direct engagements with the company under our Climate Impact Pledge and separately, to better understand challenge Exxon on their approach to the energy transition, where financial material issues such as disclosure the potential costs to retire their long-lived assets and decarbonisation levers being some of the key discussion points. We will also be engaging with proxy advisors and fellow investors to better understand their voting rationale.

We were pleased to see progress from the company in terms of joining the Oil and Gas Methane Partnership ('OGMP') 2.0 – the flagship oil and gas reporting and mitigation programme on methane, of which many global oil and gas companies, including BP and Shell, are already members. We have been working closely and collaboratively with EDF to raise awareness of the issue (letters, meetings, public statements) and applying pressure on oil and gas companies to join the OGMP initiative since 2021 – Exxon being one of them, through our direct engagements with the company under our Climate Impact Pledge. Exxon had demonstrated reluctance, previously, to sign up to the OGMP and LGIM voted in favour of a shareholder resolution tabled at its 2023 AGM, requesting that the company produce a report on methane emission disclosure reliability, 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 markets and investors to accurately price climate-related risks and opportunities which, in turn, is an incentive for companies to make the changes we are seeking."

Engagement case studies - Schroders

Company: Ecora Resources

Topic: Climate Change

Summary of engagement:

"We began to engage with Ecora Resources on climate change in 2022, encouraging them to set emissions reduction targets for scopes 1, 2 and 3. The UK small and mid-cap team, together with sustainability colleagues, first met with Ecora Resources' management in November 2022. We engaged with the company across a range of climate issues including offsets their ESG screening process, sustainability targets in remuneration and in particular setting science-based targets.

We introduced the company to the Science-Based Target initiative's (SBTi) small and medium-sized enterprise (SME) framework. As a company with only 14 employees, this option allowed Ecora to overcome capacity constraints, whilst allowing it to set an industry-standard science-based target. Initially there were concerns over the suitability of this pathway as a royalty company since Financial Institutions are exempt from the SME route.

However, we were able to provide an example of a precious metals streaming company peer which had a validated goal via this route. After this meeting, the company agreed to discuss and consider if this could be a viable next step for them."

Outcome of engagement:

"We were pleased to see that in March 2023 Ecora Resources had their near-term goal validated: they have set emission reduction targets that are aligned with the Paris Agreement's goal of limiting global warming to 1.5°C which asks for GHG emissions to peak before 2025 and decline by a minimum of 43% by 2030. Specifically, the company has committed to reducing scope 1 and scope 2 emissions by 46%, by 2030, from a 2019 base year, and to measure and reduce its scope 3 emissions through engagement with its operating partners.

As an additional objective, the company has committed to maintaining carbon neutrality regarding their scope 1, 2 and upstream scope 3 emissions. We would consider this to be an initially successful engagement and, as shareholders, plan to continue to engage with the company to promote best practice going forward and to monitor progress.

One of our long-term desired outcomes of climate engagement is robust governance and oversight of climate-related risks, thus Ecora Resources setting Science Based Targets and having them validate is a great step towards this."

Engagement case studies - HSBC

Company: UK Apparel Retailer

Topic: Gender Diversity & Inclusive Growth and Shared Prosperity

Summary of engagement:

"Pre 2023 AGM we met company and explained our gender diversity concerns. Due to limited improvement offer, we voted against the chair on diversity grounds. In line with our Global Voting Guidelines, we voted against the company's remuneration report as we considered the quantum of pay excessive.

In May 2023 we met the company as part of a collaborative engagement to discuss wage setting, productivity, and employee engagement. The company gave us a range of very honest answers and do have some good practices (particularly strong on aspects of employee voice). We maintained our concerns on wage rates and hours however as a large proportion of staff earn under £9 an hour (U23's minimum wage).

We privately met company in July 2023 to further discuss gender diversity, and workforce wellbeing. We followed up the call with some further questions and recommendations on employee disclosures and tracking. Their answers led us to have further concerns on employee wellbeing as turnover is very high in the retail and warehouse areas.

We met the company again in Q1 2024 and again there was limited evidence of employee pay improvement.

At the 2024 AGM we voted against a director following the company scoring poorly on our workforce risks framework, which validated our concerns following the recent meetings."

Outcome of engagement:

"In Q3 2023 call the company has told us they are in the late stages of sourcing a new female director to address our concerns on the reduced diversity.

The company provided some disclosures on workforce retention answer to our questions. We are pleased to see the data but are concerned by the very short hours staff work and very high turnover.

We will continue to engage the company and push for improvement, particularly in the light of possible government action on wages"

Engagement case studies - Veritas

Company: Charter Communications

Topic: Environmental – Climate Change

Summary of engagement:

"Charter Communications has demonstrated a commitment to environmental sustainability, specifically targeting greenhouse gas (GHG) emission reductions, with an ambitious goal to achieve carbon neutrality by 2035. However, the company is yet to establish science-based decarbonisation targets that support their climate goals.

In the past year, the business has reduced emissions through the implementation of telematics devices in their vehicles. This technology has optimised routing and operational efficiencies, leading to a decrease in their truck roll count for 2022. This operational shift has directly contributed to a reduction of approximately 6,000 tons of CO_2 emissions.

Focusing on two critical emission sources, Charter's environmental strategy includes a reduction of Scope 1 emissions, which emanate from their vehicle fleet, and downstream Scope 3 emissions, associated with their Set-Top Boxes. Approximately 32% of Charter's total emissions are attributed to Set-Top Boxes, prompting them to prioritise energy-efficient models, particularly through the rollout of the Xumo Stream Box.

Charter's transition to an electric vehicle fleet is a cornerstone of their approach to reducing Scope 1 emissions. However, this transition is not without its challenges which has hindered the progress made. The company has cited several obstacles, including the potential impact of severe weather events on electric vehicle functionality, the current limitations in electric vehicle range (especially considering additional vehicle weight from equipment and the effects of extreme temperatures), logistical challenges such as infrastructure for charging stations, and supply chain issues affecting electric vehicle availability.

In terms of GHG emissions disclosures, Charter has shown reluctance to fully engage with external reporting bodies like the Carbon Disclosure Project (CDP). This hesitation has been partly attributed to a perceived lack of investor demand for such detailed reporting and the anticipation of the finalisation of the SEC Climate Disclosure guidance. However, recent legislative developments in California, particularly the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act, are likely to catalyse more robust and mandatory climate reporting from large corporations, including Charter.

Whilst Charter Communications is not categorized as a high emitter, with an ITR of 1.6 °C, the need for more structured and transparent reporting is evident. Such reporting would provide investors and stakeholders with a clearer understanding of the company's environmental impact, sustainability initiatives, and alignment with global climate goals, beyond what is currently disclosed in their Sustainability report."

Outcome of engagement:

"We recognise the advancements Charter Communications has made in reducing emissions and the complexities involved in transitioning to an electrified fleet. Nonetheless, we maintain that these challenges should not impede the company's efforts to improve its annual emission disclosures to organisations like the CDP, ahead of mandated regulatory deadlines.

For the moment, we are comfortable with the response provided by the company. We, alongside the business, will continue to monitor the situation as it evolves."

Engagement case studies - M&G
Company: HUMMINGBIRD RESOURCES PLC **Topic:** Social - Human Rights **Summary of engagement:** "Following the release of the Blood Gold report, M&G engaged with Hummingbird to ensure the workforce in Mali is protected and to ensure a stable relationship between the company and the government." **Outcome of engagement:** "M&G had a meeting with the CEO and IR of Hummingbird. The company is operating within the region and is complying with government requests of paying tax etc. Whilst the situation is challenging, Hummingbirds' presence in the area provides a number of benefits to Mali and an exit would cause a number of local issues. The company is providing lots of support to the local economy (employment, education, healthcare) which all can be evidenced with tangible outcomes. The company has sat in meetings with the western world debating the potential sanctions on output from Mali, however it has been concluded this would not help the situation and would in fact make it worse in the longer term. This year the world bank funding has increased its investment into Mali to $500m, evidencing the commitment to the region, and evidencing the need for investment (provided by companies operating there). 80% of tax taken in Mali goes on government overheads, hence the tax system is working, and the tax paid by Hummingbird is largely contributing to the local communities. The company is not in a position to question the tax uses. The CEO did state that where the companies mine is located is in a very settled part of the country and they do not experience much disruption on a day-to-day basis. In other parts of the country there is much more unrest, but this does not affect Hummingbird currently."

Engagement case studies - MFS
Company: Schneider Electric **Topic:** Climate Change **Summary of engagement:** "We met with the chair at Schneider Electric in the fourth quarter of 2023 as part of its regular pre-AGM engagements with shareholders. We talked about CEO transition, which seems to be going well, and some changes to the renumeration plan that we welcomed. We also discussed a change to the long-term incentive plan performance criteria. In the current plan, 25% is based on Schneider's ranking on sustainability as determined by external providers (DJSI, Euronext Vigeo, Ecovardis, CDP). Last year we questioned whether it made sense to use external rankings. Schneider has listened to that feedback and would like to switch to internal indicators and tie them directly to reductions in absolute CO2 emissions, including Scope 3. The reductions objective would be an absolute number of CO2 emissions (carbon budget) that the company would have to reach for the full year 2026. These are unambiguous and ambitious targets, but they are aligned with Schneider's overall decarbonization commitments. Scope 3 reductions present the biggest challenge because the company can't completely control them, but they see many of their customers committing to net zero, so they believe the direction of travel, motivation and desire is present."