

BASF UK Group Pension Scheme

2022 Implementation Statement

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Executive Summary

The 2022 Implementation Statement sets out how the Trustee has followed its Statement of Investment Principles (“SIP”) during the year, including voting and engagement policies, as well as details of any review of the SIP during the year.

The BPP DB Section has been de-risked in the period by fully redeeming investment in equity funds and investing proceedings partially in to Buy & Maintain credit and ABS portfolios. The Trustee also decided to increase interest rate and inflation hedging to 96% of the liabilities. The Trustees also decided to increase the level of interest rate and inflation hedging to 100%.

For the Chemetall Section, the Trustee decided to change the fiduciary management model to an investment advisory model. As a result, all assets were redeemed from the funds invested by SEI and proceeds were invested according to the new Strategic Asset Allocation and with investment managers selected by the Investment Committee.

There were no changes to the Defined Contribution investment strategy during the period covered by this Statement.

The Trustee continue to assess the performance of the Scheme's investments and appointed asset managers, and it has revised the formal objectives for its investment adviser on a quarterly basis.

The Trustee has set their stewardship priorities as follows:

- 1) Climate change
- 2) Business ethics & transparency
- 3) Diversity, equity, and inclusion

The Trustee has communicated to the managers and monitored their voting and engagement policies according to these priorities.

Introduction to the Scheme

The Trustee is required to produce a yearly statement (“Statement”) to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the year. This includes voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes, and the date of the last SIP review.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) and state any use of the services of a proxy voter during that year.

This Statement should be read in conjunction with the SIP which can be accessed on the [Pension Website](#).

Review of the SIP

The Trustee reviews each SIP regularly, although changes are not always required. The latest review date of each SIP is detailed below:

SIP	Last Updated
DC Sections	September 2020
DB Sections	December 2022

SIP policy assessments during the year (DC Sections)

Investment and Legal Compliance

The SIP confirms the Trustee's policy to take professional advice from a suitably qualified DC Investment Adviser. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The Trustee did not make any changes to the investment strategy during the period covered by this Statement.

Investments held and investment balance

The SIP documents the types of investment used within the Scheme and the asset allocation of each investment fund (including the lifestyling arrangements for LifePlan strategies). The Appendix also lists the investment types held.

The default investment option is reviewed at least triennially. The Trustee, through the DC Committee, commenced a strategic review of the default investment strategy in 2021, which continued into 2022. Full details are provided in the Chair's Statement. In summary, the review resulted in decisions being taken to change some of the underlying investment managers used in the risk profiled funds. These changes were not implemented until after the year covered by this Statement. No changes to the SIP were required as the overall asset allocation by investment type did not change.

Regulated investment advice was provided to the DC Committee on the new investment manager selections, which were implemented following the Scheme year end in January 2023.

Risk and return

The Trustee considers risk from multiple perspectives as set out in the SIP (the list of risks labelled from 'a' to 'i' summarises the key risks, along with mitigations and measurement steps put in place by the Trustee).

Where the SIP relates to expected/target returns: "The Trustee reviews the absolute performance, relative performance against a suitable benchmark, and against each fund's stated target performance (over the relevant time period)." The targeted levels of performance are documented in the Appendix to the SIP.

The Trustee reviewed the measurement of key investment risks on a quarterly basis during the year as part of regular investment reporting. These quarterly reports were provided by the DC Investment Adviser. DC risks on the risk register were a standing item at DC Committee meetings during the year with risks considered at each meeting.

A key area of focus during the year related to risk "*The risk that the investment vehicles in which monies are invested under-perform the expectation of the Trustee*". To mitigate this risk, the DC Committee carried out a review of the Diversified Growth Fund managers and met with potential alternative investment managers for these funds. This resulted in changes to the investment managers being implemented within some of the risk profiled funds following year-end. There was no change to the strategic asset allocation of the funds.

Realisation of investments

The SIP notes '*The investment manager has responsibility for buying and selling the underlying assets. All pooled funds used are daily dealt*'.

No changes to the liquidity of the funds used by the Scheme were experienced during the year. The Scheme does not invest directly in property or other illiquid assets.

Financial and non-financial considerations

The SIP covers these matters. The risks identified in the SIP are considered by the Trustees to be financially material considerations.

As stated in the SIP, members' views will be considered in relation to financial and non-financial matters. In the context of non-financial considerations, an Ethical Fund is available for members to invest in which invests according to defined ethical guidelines, including non-financially material matters. An Islamic Global Equity Fund is also available for members, which invests according to Shariah principles (Islamic law as revealed in the Qur'an). There were no updates to this policy during the year, but the risks identified and how they are measured, and managed formed part of the investment monitoring conducted during the year, as noted above.

Exercise of rights (including voting rights)

Further details on voting rights and engagement activities are set out in the voting section of this Statement.

Investment strategy & decisions with Trustee policies

There were no changes to policy during the year.

Asset manager decision making

There were no changes to policy during the year.

The DC Committee met with potential alternative Diversified Growth Fund managers at a meeting held on 3 October 2022 and exercised the Trustee's policy as stated in the SIP (*"In selecting investment managers the Trustee takes into account the requirements of each mandate and its investment guidelines. The investment managers are selected based on their capabilities and suitability as regards meeting the Scheme's objectives. These selections are therefore also based on the managers' perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for"*).

Asset manager performance evaluation

In line with the policies documented in the SIP, the Trustee has reviewed both short term and longer-term investment performance through quarterly investment reports.

The DC Investment Adviser supports the Trustee with an annual assessment of the extent to which the Scheme provides value for members. This assessment includes benchmarking the investment management fees paid by members of the Scheme. During the Scheme year, this annual benchmarking was undertaken and discussed at the DC Committee meeting held on 22 April 2022.

Portfolio monitoring

This relates to how the Trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range. The SIP refers to this topic, and there were no policy changes during the year. Transaction costs were included in the annual value for members assessment.

The Trustee will continue to monitor transaction costs on an annual basis but has not set portfolio turnover targets; the Trustee instead assess performance net of the impact of the costs of such activities.

Asset manager arrangement duration

There were no changes to policy during the year.

SIP policy assessments during the year (DB Sections)

Investment objectives

Progress against the long-term journey plan is reviewed as part of the quarterly performance monitoring and trigger monitoring reports. The Trustee is also able to view the progress on an ongoing basis using an online tracker provided by the Investment Consultant. As the date of this Statement, the Scheme was on track to achieve full funding on a Gilts+0.25% per annum, based the respective section target dates.

Investment strategy

The Trustee monitors the asset allocation quarterly and compares this to the strategic asset allocation. As consequence of Group and BPP being fully de-risked over the last years, the Trustee decided to remove de-risking triggers for these sections. Chemetall has a set of de-/re-risking triggers in place, which helps monitoring the progress against its long-term journey plan. The de-/re-risking triggers are monitored daily by the Asset Manager using LCP Visualise and reviewed by the Investment Committee regularly. If one of the triggers is breached, the Trustee would consider the appropriateness of the proposed de-/re-risking action before it is implemented.

The BPP Section's de-risking trigger was hit in April 2022, as funding level was improved due to the rise in gilts yields, leading to a reduction in discounted liabilities. The Trustee decided to de-risk its investment strategy by fully redeeming investment in equity funds and investing proceedings partially in to Buy & Maintain credit and ABS portfolios. The Trustee also decided to increase interest rate and inflation hedging to 96% of the liabilities.

The Group Section reached 100% funding on gilts+0.25% basis. The Trustees decided to increase the level of interest rate and inflation hedging to 100%.

For the Chemetall section, following the merger of this section into the Scheme, the Trustee decided in February 2022 to change the fiduciary management model to an investment advisory model. This change would make use of synergies and simplified governance in line with the other sections. All assets were redeemed from the funds invested by SEI and the proceeds were invested in an Equity fund with LGIM (40%), Buy & Maintain credit fund (6%) with Insight, ABS fund with Insight (9%) and LDI funds also managed by Insight (45%). The transition of assets was finalised in December 2022.

Implementation of the investment arrangements

In 2022, given the further improvement of funding level for all Sections, the Trustee focused in implementing de-risking measures already described in the previous section of this statement. For BPP, all reinvestments were done with fund managers that already have a mandate in place with the Scheme. For Chemetall, new mandates had to be set up with LGIM and Insight.

The Trustee monitors the performance of the Scheme's investment managers on a quarterly basis, using the quarterly performance monitoring report. The Trustee kept using a traffic light system to monitor the asset managers. The most recent quarterly report shows that there are no urgent concerns over the funds used. The Trustee regularly invites the Scheme's investment managers to present at Trustee meetings, seeing each manager at least once every two years.

As result of de-risking measures implemented in 2022, the Trustee terminated the mandate with LGIM for the BPP section. For the Chemetall section, all mandates previously used by SEI were terminated, and new mandates were set up with LGIM and Insight.

Realisation of investments

The Trustee reviews the Scheme's net current and future cashflow requirements on a quarterly basis. Additionally, on a weekly basis, the Trustee receives the cash balances from the Scheme Administrator, to ensure there is enough fund to finance expected expenses. The Trustee policy is to have access to sufficient liquid assets to meet any outflows while maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

The investment managers have discretion over the timing of realisation of investments of the Scheme and this has continued over the year. The Trustee receives income from their Buy & Maintain and Private Credit portfolios, which is retained in the Trustee bank account and used towards paying benefit payments.

Following the established investment cashflow forecast, the Trustee decide, with support from its investment advisor, what disinvestments shall be done to meet the Scheme's cash flow requirements. In 2022, funds were taken from the LDI portfolio due to the liquid nature of the mandate and the fact that capital can be released without affecting the level of hedging exposure provided.

Risk policy

Risks are monitored on an ongoing basis with the support from the Investment Adviser. The Trustee maintains a risk register, which is reviewed regularly in view of new risks and changes and presented as part of the documents for each Trustee meeting.

The strength of the employer's covenant is assessed bi-annually and additionally in response to certain events, such as the divestitures and other structural changes.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based on advice from the Investment Adviser or information provided to the Trustee by the Scheme's investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

Regarding the risk of inadequate returns, the required return to achieve the Scheme's long-term funding target is assessed on an ongoing basis, as well as the hedging of interest rate and inflation risks.

Together, the investment and non-investment risks set out in Appendix 2 of the SIP give rise generally to funding risk. The Trustee formally reviews the Scheme's funding position following preparation of the Scheme Actuary's annual report, to allow for changes in market conditions. On a triennial basis, the Trustee reviews the funding position following preparation of the triennial actuarial valuation, which allows for membership and other experience. The Trustee also informally monitors the funding position more regularly, at Investment Committees and Trustee meetings and the Trustee can also monitor this daily.

Investment Governance (DC Sections)

The Trustee delegates certain matters relating to the DC Section to its DC Committee. The Trustee has agreed appropriate terms of reference for the DC Committee, which meets at least three times per year to consider matters relating to the DC Section. During the Scheme year covered by this Statement, the DC Committee met four times. The DC Committee reports after each meeting to the Trustee Board.

The DC Committee is supported by an independent DC Investment Adviser, who also covers wider DC matters and governance, and attends meetings of the DC Committee. The Trustee's legal adviser also provides support and attend meetings of the Trustee Board and / or the DC Committee when required. Day-to-day support to the DC Committee is provided by the In-House Pension Team.

The DC Committee meets with investment managers and investment platform provider when necessary. In years where there are no investment performance issues and the DC Committee has other strategic and governance priorities, investment manager meetings would not be considered essential. This is to ensure that governance activity is focused on the right areas to drive good outcomes for members, rather than having a fixed schedule approach.

Investment benchmarks and targets have been put in place for each investment manager, and performance is monitored on a quarterly basis against these measures. Service Level Agreements (SLAs) have also been established with the investment platform provider relating to operational performance. The SLAs cover investment transaction contract notes, queries, and maintenance of a microsite hosting fund information.

Investment Governance (DB Sections)

The Trustee assesses the performance of Scheme investments and appointed asset managers on an ongoing basis as part of the quarterly monitoring reports it receives. The Trustee has agreed formal objectives for its Investment Adviser and reviews performance against these objectives on a quarterly basis.

The Trustee regularly reviews the Terms of Reference of the Investment Committee, to reflect the latest personnel changes, the Underpin granted by BASF SE and the associated consultation process as well as the extension of the de-risking framework by the re-risking and hedging activities.

Non-Financial Matters (DC Sections)

As stated in the SIP, members' views will be considered in relation to financial and non-financial matters. In the context of non-financial considerations, an Ethical Fund is available which invests according to defined ethical guidelines, including non-financially material considerations. An Islamic Global Equity Fund is also available for members, which invests according to Shariah principles (Islamic law as revealed in the Qur'an).

Non-Financial Matters (DB Sections)

The Trustee's policy is to delegate the consideration of financially material considerations including Environmental, Social and Governance ("ESG") considerations, voting and engagement to its investment managers and to consider these issues when making decisions regarding the selection or retention of investment managers. It seeks to appoint managers that have appropriate skills and processes to do this, and from time-to-time, reviews how its managers are taking account of these issues in practice.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the year, and it has continued to take advice on the selection and ongoing review of the investment managers from the investment adviser, who incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

Strategic Asset Allocation (DC Sections)

There were no changes to the overall strategic asset allocation or the structure of the Scheme's LifePlan strategies during the year.

Strategic Asset Allocation (DB Sections)

Following measures implemented in 2022, the strategic asset allocation was changed for the BPP and Chemetall sections.

The BPP Section allocation was reduced in return-seeking assets and increasing the allocation to Credit and LDI portfolios. This change allows the section to achieve the required return required in the journey plan while reducing risk.

The Chemetall Section strategic asset allocation retains a significant portion invested into growth assets, but the overall risk has reduced in comparison to the previous portfolio. As a result, the expected return of the portfolio also reduced from gilts+2.6% to gilts+1.9% per annum.

Section	Underlying Funds	New Allocation	Prior Allocation
Group section	Insight LDI portfolio	47.69	53.27
	Insight Buy & Maintain Credit	19.60	18.39
	Royal London Buy & Maintain Credit	22.13	19.95
	Barings Private Credit funds	9.23	7.80
	Cash balance	1.34	0.57
BPP section	LGIM Future World Fund	-	14.02
	Insight LDI portfolio	45.82	48.68
	Insight Buy & Maintain Credit	20.32	13.97
	Royal London Buy & Maintain Credit	19.84	13.92
	Barings Private Credit funds	6.16	4.77
	ICG Private Credit funds	6.39	4.05
	Cash balance	1.46	0.59
Chemetall section	SEI investments as Fiduciary Manager	-	99.99
	Insight LDI funds	42.12	-
	Insight ABS fund	8.26	-
	Insight Buy & Maintain Credit	4.86	-
	LGIM Future World Fund	43.63	-
	Cash balance	1.13	0.01

Manager Selection, Review and Monitoring (DC Sections)

The DC Committee maintained its regular monitoring of the investment managers, primarily by reviewing quarterly investment performance reports provided by the DC Investment Adviser.

These reports include:

- Details of how each fund and underlying investment manager is delivering against their specific benchmark and targets over both short term and long-term periods.
- The experience that members in the default investment strategy have experienced, in both the growth phase and the de-risking phase of the strategy. This is assessed against inflation measures to ensure that the strategy delivers real returns above inflation.
- Investment risk metrics for the default investment strategy, including volatility and “maximum drawdown” statistics. This allows the DC Committee to measure and monitor risks.
- Peer group analysis for key actively managed funds, comparing the performance of managers to alternatives available in the market.
- The investment research ratings and ESG ratings assigned by the DC Investment Adviser’s research team to each fund. These ratings denote the DC Investment Adviser’s research views on the funds, including the prospects for the manager achieving the investment objectives and the extent to which ESG considerations are integrated in the manager’s process, portfolio, and in their voting and engagement activities.

Manager Selection, Review and Monitoring (DB Sections)

The Trustee maintained its regular monitoring of the investment managers, by reviewing quarterly investment performance reports and by inviting the fund managers to present in the regular Investment Committee and Trustee meetings. Additionally, the Investment Adviser monitors the investment managers on an ongoing basis and informs the Trustee promptly about any significant updates or events that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification.

In 2022, for transition of assets for Chemetall, it was required to appoint new managers. The Trustee selected LGIM and Insight, as both were known managers for the other sections, and after confirmation of their suitability by the Investment Consultant.

Voting and Engagement (DC Sections)

Voting and Engagement Policies

To establish policy, the Trustee undertook detailed training provided by the DC Investment Adviser in 2019 (supplemented by further training in 2020, 2021, and 2022), with a particular focus on climate change during the year covered by this Statement. The Trustee undertook a beliefs survey to support ongoing maintenance and development of the voting and engagement policy. Trustee beliefs are reviewed periodically.

The Trustees have complied with the SIP on voting and engagement. The Scheme continued to invest solely in pooled funds, where voting and engagement activities are delegated to investment managers.

A key element of the Trustee's policy is to consider ESG issues when making decisions regarding the selection or retention of investment managers. Accordingly, and as set out in the SIP policies, during the year the Trustee reviewed ESG ratings published by the DC Investment Adviser when monitoring the investments. ESG ratings were also a key part of the decision-making process for the selection of a new Diversified Growth Fund, which was completed following the Scheme year end. The investment adviser's ESG ratings include assessment of a manager's voting and engagement capabilities.

Voting Activity during the Scheme Year

All Trustee holdings in listed equities are within pooled funds and therefore the Trustee is not able to direct how votes are exercised. The Trustee itself has not used proxy voting services over the year, and in line with the SIP policy the Trustee has delegated investment voting rights to the investment managers. Most voting activity will arise in respect of public equities. In this Statement, we have included voting data on the Scheme's funds that hold equities.

The Scheme makes daily dealt and priced pooled funds available to members. These funds are "blended" in that the Scheme provides a single fund, but the underlying investments are spread across a range of funds.

Fund	Underlying Funds	Strategic Allocation %
Adventurous	BlackRock Global Developed Fundamental Weighted Index	25.00
	BlackRock Global Minimum Volatility Index	25.00
	Allspring Emerging Market Equity	23.00
	L&G Future World Global Equity Index	27.00
Moderate	BlackRock Global Developed Fundamental Weighted Index	14.15
	BlackRock Global Minimum Volatility Index	14.15
	Allspring Emerging Market Equity	6.50
	Baillie Gifford Diversified Growth	16.67
	Abrdn Global Absolute Return Strategy	16.67
	L&G Diversified	16.66
Cautious	L&G Future World Global Equity Index	15.20
	BlackRock Global Developed Fundamental Weighted Index	9.20
	BlackRock Global Minimum Volatility Index	9.20
	Allspring Emerging Market Equity	4.10
	Baillie Gifford Diversified Growth	10.84
	Abrdn Global Absolute Return Strategy	10.83
	L&G Diversified	10.83
	L&G AAA-AA-A Corporate Bonds (All Stocks)	23.30
Aquila Connect Up to 5 Year Index Linked Gilts	11.70	
Pre-Retirement Annuity	L&G Future World Global Equity Index	10.00
	L&G Pre-Retirement	100.00
Cash	L&G Sterling Liquidity	100.00
Ethical	L&G Ethical Global Equity	100.00
HSBC Islamic	HSBC Islamic Global Equity Index	100.00

Description of Voting Process

As shown in the previous table, the Scheme invests in underlying funds managed by various investment managers. Funds that invest in equities are managed by:

- Abrdn plc (“Abrdn”)
- Baillie Gifford & Co (“Baillie Gifford”)
- BlackRock Inc. (“BlackRock”)
- HSBC Global Asset Management (“HSBC”)
- Legal & General Investment Management (“L&G”)
- Allspring Global Investments (“Allspring”)

The voting policies of the managers have been received and considered by the Trustee and the Trustee deems these policies to be consistent with its investment beliefs.

Summary of voting behaviour over the year

The Trustee has been provided with the voting disclosures relating to the funds listed in the previous table. These are summarised in the table that follows, taking the funds that invest in public equities.

Data on 31/12/2022	Abrdn Global Absolute Return Strategies	Baillie Gifford Diversified Growth	BlackRock Global Dev Fundamental Weighted	BlackRock Global Minimum Volatility Index	HSBC Islamic Global Equity Index	L&G Diversified	L&G Ethical Global Equity	L&G Future World	Allspring Emerging Mkt Equity
Value of Scheme assets (£ 000s)	17,624	17,619	32,806	32,830	9,665	17,732	9,205	35,144	17,624
No. of underlying equity holdings	See note*	52	1,001	1,364	105	6,496	1,072	3,059	97
No. of meetings eligible to vote	14	106	577	354	107	9,567	1,141	4,942	143
No. of resolutions eligible to vote	183	1140	9,339	4,698	1,623	98,795	16,528	53,097	1,296
% of resolutions voted	72.1%	95.8%	88.8%	99.6%	95.8%	99.8%	99.7%	99.9%	98.5%
% of resolutions voted with management	79.5%	95.7%	95.1%	94.0%	81.8%	77.4%	82.0%	80.4%	84.0%
% of resolutions voted against management	20.5%	3.5%	4.9%	6.0%	17.6%	21.9%	17.8%	18.6%	14.0%
% of resolutions abstained	0.0%	0.8%	0.0%	0.0%	0.6%	0.7%	0.2%	1.0%	2.0%
% of resolutions voted against recommendation of the proxy adviser	17.4%	N/A**	0.0%	0.0%	11.2%	12.5%	13.0%	10.6%	12.0%

Data as at 31 December 2022 with the exception of the voting statistics for the BlackRock Global Minimum Volatility Index Fund which is as at 31 December 2021. The manager has been unable to update this at the time of writing. Source: Investment Managers.

* In respect of the Abrdn Global Absolute Return Strategies Fund, there were no direct equity stock holdings as at 31 December 2022, only exposure via derivatives. However, during the year there were direct holdings which the data reflects.

** Baillie Gifford vote in line with their in-house policy, not with proxy voting provider policies.

Most significant votes over the year

The Trustee has set their stewardship priorities as follows:

- 1) Climate change
- 2) Business ethics & transparency
- 3) Diversity, equity, and inclusion

Examples of voting issues that arose within each fund (that hold equities with voting rights), that is considered significant, as it relates to the Trustee's priorities above.

Fund	Abrdn Global Absolute Return Strategies			
Company	The Kroger Company			
Item	Report on climate change – specifically this was a shareholder request for the company to report on efforts to eliminate hydrofluorocarbons in refrigeration and reduce greenhouse gas emissions.			
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.			
Rationale	The Kroger Company is a US retailer that operates supermarkets & multi-department stores throughout the US. Given the significance of hydrofluorocarbons to this company's emissions, and the costs associated with moving to gases with lower global warming potential, Abrdn supported the request for the company to provide clearer disclosures and plans for emissions reduction in this regard and voted for the shareholder proposal (against management).			
Date of Vote	23 June 2022	Voting Decision	For	Outcome Failed

Fund	Baillie Gifford Diversified Growth			
Company	Lyft, Inc.			
Item	Shareholder proposal requesting further reporting on lobbying activities.			
Significance criteria	Relates to business ethics and transparency, which is one of the Trustee's stewardship priorities.			
Rationale	Baillie Gifford supported a shareholder proposal which requested that ride-sharing company should prepare an annual report disclosing its policy and procedures on government lobbying. The proposal further requested that Lyft should disclose the payments it had made in relation to direct government / federal) lobbying and indirect lobbying. Baillie Gifford supported this request as they believe the company can make further improvements in this area. They wished to see information on lobbying expenditures, a list of all trade association memberships, and dues or lobbying expenditures made by those associations using Lyft funds.			
Date of Vote	16 June 2022	Voting Decision	For	Outcome Failed

Fund	BlackRock Global Dev Fundamental Weighted			
Company	Shell Plc			
Item	Request Shell to set and publish targets for Greenhouse Gas Emissions			
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.			
Rationale	<p>The shareholder proposal requested that the company set and publish targets “consistent with the goal of the Paris Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. These quantitative targets should cover the short, medium, and long-term greenhouse gas emissions of the company's operations and the use of its energy products (Scope 1, 2, and 3 emissions).</p> <p>BlackRock did not support the proposal as they consider that it is not additive to Shell's Energy Transition Strategy, and that Shell's ability to set short-and medium-term scope 3 emissions targets is impeded by the current uncertainty around the pace of decline in oil and gas demand, as well as energy security issues. The issue of scope 3 (indirect) greenhouse gas emissions is complex, particularly for the oil and gas industry. In BlackRock's view, scope 3 emissions are a major societal issue and, for companies where they are material, the prospect of future policy changes could affect the economic viability of their business models. While BlackRock welcomes disclosures on how companies are considering scope 3 emissions, at this stage they view these differently from scope 1 and 2, given methodological complexity, regulatory uncertainty, concerns about double-counting, and lack of direct control by companies.</p>			
Date of Vote	24 May 2022	Voting Decision	Against	Outcome Failed

Fund	BlackRock Global Minimum Volatility Index				
Company	Rio Tinto				
Item	Approve Climate Action Plan				
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.				
Rationale	<p>BlackRock voted for a management proposal seeking shareholders' approval of the Rio Tinto Group's Climate Action Plan. This action plan, and its associated targets and disclosures, are consistent with what BlackRock look for, and, in their assessment, demonstrate management and board responsiveness to shareholder feedback.</p> <p>The manager further notes that Rio Tinto has accelerated their plans in "managing physical climate change risk through risk-based adaptation practices" that the group deems essential to enhance the resilience of assets and communities. The Climate Action Plan articulates the specific steps the group will take in alignment with their commitment to net zero by 2050, which includes setting more ambitious interim targets and having in place clear board oversight.</p>				
Date of Vote	5 May 2022	Voting Decision	For	Outcome	Passed

Fund	HSBC Islamic Global Equity Index				
Company	The Home Depot, Inc				
Item	Election of a named male Director				
Significance criteria	Relates to diversity, equity, and inclusion, which is one of the Trustee's stewardship priorities.				
Rationale	<p>HSBC voted against the election of this Director as the board's gender diversity falls below their expectation for a large US company (40%).</p> <p>Whilst Home Depot's Nominating and Corporate Governance Committee has a policy to consider a diverse slate of candidates for each position that becomes available on the Board, at the time of the vote only 33% of the Board were female, which HSBC consider to be below expectations for a company of this size and nature.</p>				
Date of Vote	19 May 2022	Voting Decision	Against	Outcome	Passed

Fund	L&G Diversified				
Company	Amazon				
Item	Resolution to elect a named Director				
Significance criteria	Relates to business ethics and transparency, which is one of the Trustee's stewardship priorities.				
Rationale	<p>L&G voted against the election of a particular Director, as the individual had been a long-standing member of Amazon' Leadership Development & Compensation Committee which L&G consider has been accountable for human capital management failings.</p> <p>A number of investors had noted that despite repeated requests, the Leadership Development & Compensation Committee had not met with institutional investors to discuss improvements to its human capital management oversight and disclosure, and had not adequately overseen health and safety, with adverse consequences for Amazon and its employees.</p>				
Date of Vote	25 May 2022	Voting Decision	Against	Outcome	Passed

Fund	L&G Ethical Global Equity				
Company	TotalEnergies SE				
Item	Resolution to approve the company's Sustainability and Climate Transition Plan				
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.				
Rationale	<p>L&G recognise the progress this company has made with respect to its net zero commitment, specifically around investments in low carbon solutions and by strengthening its public disclosures.</p> <p>However, L&G were still concerned about the company's planned upstream production growth in the short term, and the absence of further details in the Sustainability and Climate Transition Plan on how such plans are consistent with a 1.5°C warming trajectory. Therefore they voted against the approval of the Sustainability and Climate Transition Plan.</p>				
Date of Vote	25 May 2022	Voting Decision	Against	Outcome	Passed

Fund	L&G Future World				
Company	NVIDIA Corporation				
Item	Election of a named male Director				
Significance criteria	Relates to diversity, equity, and inclusion, which is one of the Trustee's stewardship priorities.				
Rationale	<p>A vote against was applied as L&G expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% by 2023. L&G have therefore been targeting large companies by voting against Directors for boards that fail to meet these standards. Further, L&G's vote was deemed appropriate as L&G expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p>				
Date of Vote	2 June 2022	Voting Decision	Against	Outcome	Passed

Fund	Allspring Emerging Market Equity				
Company	Hapvida Participacoes e Investimentos SA ("Hapvida")				
Item	Approve remuneration of company's management				
Significance criteria	This vote was assessed as having high governance risk, where the allocation to the company's stock was also significant for the portfolio.				
Rationale	<p>Hapvida is a Brazil-based holding healthcare company.</p> <p>Allspring voted against this item because they believed that Hapvida had failed to provide a compelling rationale for the 424% year-over-year increase proposed for the 2022 global remuneration cap.</p> <p>Allspring believe that a company's board and / or its compensation committee should link long-term performance goals that underpin the company's long-term strategy into the management incentive plans and ensure that quantifiable, long-term, performance-based incentives serve as majority drivers of incentive awards.</p>				
Date of Vote	25 April 2022	Voting Decision	Against	Outcome	Passed

All data as at 31 December 2022. Source: Investment Managers.

Voting and Engagement (DB Sections)

Voting and Engagement Policies

In 2022, the Trustee, following guidance from the DWP, have set their stewardship priorities as being:

- 1 – Climate change
- 2 – Business ethics & transparency
- 3 – Diversity, equity, and inclusion

The priorities were communicated to the investment managers, and the Trustee will regularly monitor, at least once per year, on their voting and engagement policies to ensure these priorities are considered.

Votes / Engagement in relation to listed equity

All equity holdings are invested in the **LGIM Future World Fund**. This fund is also used for the DC Sections, whose voting process and behaviour were already described in the previous section. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the year. The Trustee has delegated the engagement and monitoring of the investment managers' exercise of voting rights to the Investment Consultant in line with the Scheme policy on voting and engagement.

Votes / Engagement in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers who don't hold listed equities, but invest in assets that had voting / engagement opportunities during the period:

Barings – Private Credit

Barings' investment professionals seek to understand the potential risks to and opportunities for an investment (including those related to ESG); to do so they may meet with government officials and corporate management teams, visit operational facilities, and analyse industry competitors. Once invested, they continue to monitor each investment to ensure that their thesis, including that on ESG matters, remains intact and that an investment's risk and return profile remains attractive relative to other opportunities available in the market. During 2022, Barings has engaged with some companies in their portfolio to include ESG ratchets into their loan documentations, to enhance sustainable performance over time.

ICG – Private Credit (BPP only)

As ICG acts mostly as sole lender, regular engagement with their companies is part of their ongoing monitoring process. ICG believes that close contact with the investee companies and the monthly and quarterly reviews are essential to ensure effective monitoring of its investments. It also helps to provide an early indication of changes in the performance and credit risk of an investee company.

Insight – Buy & Maintain Credit, ABS and LDI funds

Insight considers ESG issues within their research process and has developed their own rating methodology using data from multiple third-party data providers. If Insight identifies material ESG risks, they engage to better understand the issues. On government bonds, Insight engages directly with the Debt Management Office, and via industry wide groups, such as Sustainable Investment and Finance Association and the Institutional Investors Group on Climate Change. On ABS, Insight engages with originators, other asset managers and regulators to improve and standardise data. One example of engagement on the B&M credit portfolio was in Q4 2022, when Insight engaged with Morgan Stanley (MS) as the company had poor scores on one Insight's ESG questionnaire. Several points were clarified, including commitment to net zero initiatives, and differences between requirements from European and American regulators. Insight is still engaging with MS on diversity and inclusion policies and more details on the questionnaire in Q1 2023.

Royal London Asset Management (RLAM) - Buy & Maintain Credit

RLAM's approach to engagement considers the strategic, environmental, social and governance risk management of investee companies. Engagement carried out jointly with investment specialists and RI teams is especially effective for fixed income assets where ESG external data typically lacks. In Q4 2022, RLAM engaged with 40 companies on several topics, such as transition to net zero, environment and social topics.