Implementation Statement, covering the Fund Year from 1 April 2022 to 31 March 2023

The Trustee of the NMR Pension Fund – Defined Contribution Section (the "Trustee" of the "Fund") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles ("SIP") during the Fund Year, as well as details of any review of the SIP during the Fund Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-9 below. This is known as the Trustee's Implementation Statement (the "Statement").

The Statement is also required to include a description of the voting behaviour during the Fund Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 9.

In preparing the Statement, the Trustee has had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

This Statement is based on and uses the same headings as the Fund's latest SIP which was in place during the Fund Year – dated 26 October 2021 and should be read in conjunction with the SIP, which can be accessed here.

1. Introduction

No review of the SIP was undertaken during the Fund Year. The last time the SIP was formally reviewed was 26 October 2021. It will be reviewed again following the completion of the Fund's triennial DC strategy review later in 2023.

The Trustee has, in its opinion, followed all of the policies in the Fund's SIP during the Fund Year, including its policies on voting and engagement. The following sections provide detail and commentary about how and the extent to which it has done so.

2. Investment objectives

As laid out in the SIP, the Trustee's primary objectives for the DC Section of the Fund is to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the DC Section and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions.

The suitability of both the range of self-select funds and the three investment strategies offered to members within the Fund were reviewed against these objectives by the Trustee as part of the Fund's triennial DC strategy review, which was initiated on 1 March 2023. Further details of the outcomes of this review are provided in the following section.

3. Investment strategy

Over the Fund Year, the Trustee, with the help of its advisers and in consultation with the sponsoring employer, began its triennial review of the DC investment strategies and self-select funds offered by the Fund. As part of this review the Trustee made sure the Fund's default arrangements were adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from.

The Fund offers three DC investment strategies: the NMR Drawdown Lifestyle, which is intended for members who intend to take their benefits via drawdown; the NMR Annuity Lifestyle, intended for members who wish to buy an annuity at retirement; and the NMR Lump Sum Lifestyle, which is intended for members who wish to take all of their benefits as cash at retirement. Members who do not make an active choice about their investments are invested in the NMR Drawdown Lifestyle (the "Default").

In its review of the investment strategies offered by the Fund, the Trustee considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Fund. The Trustee also reviewed retirement data as part of the performance and strategy review, looking at how members chose to access their benefits as well as at what age they accessed them versus when they said they would. Informed by this analysis, the Trustee continues to believe that an arrangement which targets drawdown at retirement is still appropriate for members who do not make an active choice about where to invest.

The Trustee further reviewed each of the investment strategies in terms of the actual and expected performance and investment risk at each stage of each of the strategies. While the strategies had performed broadly in line with expectations since the last triennial review, the Trustee is considering the following changes to the NMR Growth Fund and the NMR Balanced Fund, which are used in the 'growth' and 'consolidation' phases, respectively, of all three strategies:

- Improving diversification by increasing the underlying exposure to 'alternative' asset classes, such as infrastructure, real estate and private equity; and
- Managing some of the strategies' exposure to climate transition risks through an allocation to 'carbon-tilted' passive equity, which reduces exposure to the highest emitting companies.

The Trustee also considered that a reduced allocation to fixed income asset classes, and increased diversification through allocation to a diversified growth fund (DGF), at the final stage of the NMR Drawdown Lifestyle, was likely to improve member outcomes by provided enhanced inflation protection.

The Trustee also provides members with access to a range of investment options which it believes are suitable for this purpose and enable appropriate diversification. In addition to the alternative lifestyle strategies offered, a self-select fund range is offered to members covering all major assets classes.

The Trustee reviews changes in member choices, behaviour and trends each quarter as part of the reporting provided by the administrator. Over the Fund year there were no material changes. The triennial strategy review also considered the take-up of the self-select funds and found that it has been reasonable in comparison to the market and that the self-select options provide a suitably diversified range to choose from. The Trustee therefore did not consider that the addition of any further funds was warranted. The Trustee reminded members to review their investment holdings as part of the investment change communications issued ahead of strategy changes made during the previous Fund Year.

4. Considerations in setting the investment arrangements

When the Trustee undertook a performance and strategy review of the Fund's DC investment lifestyle strategies (which includes the Default) on 1 March 2023, it considered the investment risks set out in Section 4.1 of this Statement and in Appendix 2 of the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

The Trustee reviews its investment beliefs from time to time. Over the period, the Trustee developed its beliefs on RI matters as part of a wider RI policy for the Fund, further details of which are provided in Section 7.

The Trustee invests for the long term, to provide for the Fund's members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustee therefore seeks to appoint managers whose stewardship[2] activities are aligned to the creation of long-term value and the management of long-run systemic risks.

The Fund's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of regarding the Fund's investment managers 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 Fund invests in, or any material change in the level of diversification in the fund.

The Trustee monitors the performance of the Fund's investment managers on a quarterly basis, using a monitoring report prepared by the investment adviser. The report shows the performance of each fund over the quarter, one year, three years and five years. Performance is considered in the context of the manager's benchmark and objectives. The Trustee also monitors its managers' responsible investment capabilities using scores provided by its investment adviser, on a quarterly basis as part of the standard monitoring reports.

---

[2] "Stewardship" is defined as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

4.1 Policy towards risk

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee maintains a risk register and this is discussed at quarterly meetings.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Fund's investment adviser or information provided to the Trustee by the Fund's investment managers. These include the risk of inadequate returns, credit risk, equity risk, currency risk, collateral adequacy risk and ESG (including climate) risks. The Trustee's implementation of its policy for these risks during the year is summarised below.

With regard to the risk of inadequate returns, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are throughout the Default and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term. The Trustee monitors the risk and returns of these funds on a quarterly basis.

The quarterly report reviewed during the year showed that the majority of managers have produced performance broadly in line with expectations over the long-term.

5. Implementation of the investment arrangements

The Trustee did not make any changes to its manager arrangements over the Fund Year.

The Trustee evaluates manager performance over both shorter and longer periods, encourages managers to improve practices and considers alternative arrangements where managers are not meeting performance objectives. Section 8 provides more detail on the activities carried out over the year.

The Trustee undertook a "value for members" assessment on 17 May 2023 for the Fund Year to 31 March 2023 which assessed a range of factors, including the fees payable to managers in respect of the DC Section which were found to be good when compared against schemes with similar sizes of mandates. Over the Fund Year the fees for the NMR Growth Fund reduced from 0.14% to 0.12%, improving value for members invested in all of the lifestyle strategies. Overall, the Trustee believes the investment managers provide good value for money.

6. Realisation of investments

It is the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustee offered during the Fund Year are daily priced.

7. Financially material considerations, non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Fund's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations).

On 21 March 2023, the Trustee reviewed LCP's responsible investment ("RI") scores for the Fund's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2022.

The Trustee was satisfied with the results of the review, noting that one fund had been flagged for review. The Trustee was satisfied with the initial explanation provided by the manager but agreed to continue to monitor the situation.

The Trustee has also established the Pensions Responsible and Sustainable Investment Committee ("PRSIC") which takes a holistic view on the approach to RI across the sections of the Fund and meets on a quarterly basis. The purpose of the PRSIC is to serve as a focus group in relation to the detail of the regulations in respect of climate reporting, Statutory Guidance and the wider consideration of climate-related risks and opportunities in relation to the Fund. At each meeting, the PRSIC received input and guidance from the Fund's DB and DC investment advisers and legal advisors (and where required actuarial advisers) on regulations and Statutory Guidance pertinent to responsible investment (RI) matters, and the consideration of climate-related risks and opportunities and the actions/decisions required from the Trustee in relation to these.

Topics and documentation considered at those meetings included:

- Updates to the Fund's risk register;
- The choice of climate metrics and a targets for TCFD purposes;
- Analysis of the Fund's climate metrics and their impact on climate-related risks and opportunities;
- Consideration of climate scenario analysis, and the impacts on different groups of members of different climate scenarios;
- Setting a 'carbon journey plan' to reduce the Fund's carbon footprint over time;
- Benchmarking comparing the Fund's approach to managing RI issues, including climate change, with other major pension schemes;
- Analysis of the Fund's investment managers' competence on climate change; and
- A review of the responsible investment ratings for the DC fund managers.

Further information regarding the work carried out by the PRSIC related to climate can be found in the TCFD report for the Fund covering the Fund Year.

The Trustee has set a Net Zero Ambition to help mitigate climate risk. It aims to align the Fund's assets with net zero greenhouse gas emissions by 2050 through selecting managers, and investing in funds, with credible net zero targets. Both of the Fund's investment managers (BlackRock and Legal and General Investment Management ("L&G")) are signatories to the Net Zero Asset Managers initiative ("NZAMI").

The Trustee recognises that some members may wish for climate change risk to be taken into account in their investments. Therefore, the Trustee added the L&G Low Carbon Transition Global Equity Index Fund to the self-select range during the Fund Year.

The Trustee has not taken into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments during the Fund Year.

8. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustee takes ownership of the Fund's stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Fund's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Following the introduction of DWP's guidance and training on the new requirements on 11 November 2022, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. Following the 21 March 2023 meeting of the PRSIC, the Trustee discussed and agreed stewardship priorities for the Fund which were:

- Climate Change; and
- Diversity & Inclusion.

These priorities were selected because the Trustee felt these were important areas where voting and engagement could influence change and make a financial impact.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

9. Description of voting behaviour during the Fund Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Fund Year. However, the Trustee monitors managers' voting and engagement behaviour periodically and challenges managers where their activity has not been in line with the Trustee's expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association ("PLSA") guidance, PLSA Vote Reporting template and DWP's guidance, on the Fund's funds that are used in the default strategy and hold equities, and funds with enhanced responsible investment credentials, as follows:

- BlackRock Aquila Connect MSCI World Fund
- BlackRock Aquila Connect MSCI World Fund – Hedged
- BlackRock iShares Emerging Markets Equity Index Fund
- L&G Diversified Fund
- L&G Low Carbon Transition Global Equity Index Fund
- We have included the funds with equity holdings used in the Default given the high proportion of DC Section assets invested in these funds. We have also included the L&G Low Carbon Transition Global Equity Index Fund, given the fund's increased focus on environmental issues.

9.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place.

BlackRock

BlackRock describes its voting and engagement activity as follows:

"Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom, market-specific voting guidelines.

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock's engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update its regional engagement priorities based on issues that it believes could impact the long-term sustainable financial performance of companies in those markets.

BlackRock determines which companies to engage directly based on its assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive. BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock informs its vote decisions through research and engages as necessary.

While BlackRock subscribes to research from the proxy advisory firms ISS and Glass Lewis & Co ("Glass Lewis"), this is just one among many inputs into BlackRock's vote analysis process. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that BlackRock Investment Stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock uses include the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, the views of its active investors, public information and ESG research.

BlackRock publishes "voting bulletins" explaining key votes relating to governance, strategic and sustainability issues that it considers material to a company's sustainable long-term financial performance.

These bulletins are intended to explain their vote decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to its clients and other stakeholders, and potentially represent a material risk to the investments it undertakes on behalf of its clients. BlackRock makes this information public shortly after the shareholder meeting, so clients and others can be aware of its vote determination when it is most relevant to them."

L&G

L&G describes its voting and engagement activity as follows:

"L&G'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 its clients. L&G's voting policies are reviewed annually, considering feedback from its clients. Every year, L&G holds a stakeholder roundtable where clients and other stakeholders are invited to express their views directly to the members of L&G's Investment Stewardship team.

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

L&G's Investment Stewardship team uses ISS 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and it does not outsource any part of the strategic decisions. L&G's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions.

To ensure L&G's proxy provider votes in accordance with L&G's position, it has put in place a custom voting policy with specific voting instructions. L&G retains the ability in all markets to override any vote decisions. L&G has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies.

As regulation on vote reporting has recently evolved with the EU Shareholder Rights Directive II, L&G wants to ensure it continues to help its clients in fulfilling their reporting obligations. L&G believes public transparency of its voting activity is critical for its clients and interested parties to hold them to account.

In determining significant votes, L&G's Investment Stewardship team takes into account the criteria provided by the 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 L&G's annual stakeholder roundtable event, or where they 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 L&G engagement campaign, in line with L&G Investment Stewardship's 5-year ESG priority engagement themes.*

It is vital that the proxy voting service are regularly monitored and L&G does this through quarterly due diligence meetings with ISS. L&G has its own internal Risk Management System (RMS) to provide effective oversight of key processes. Annually, as part of L&G's formal RMS processes the Director of Investment Stewardship confirms that a formal review of L&G's proxy provider has been conducted and that it has the capacity and competency to analyse proxy issues and make impartial recommendations.

Vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. It also provides the rationale for all votes cast against management, including votes of support to shareholder resolutions."

9.2 Summary of voting behaviour over the Fund Year

A summary of voting behaviour over the Fund Year is provided in the table below.

	BlackRock Aquila Connect MSCI World Fund (hedged and unhedged)	BlackRock iShares Emerging Markets Equity Index Fund	L&G Diversified Fund	L&G Low Carbon Transition Global Equity Index Fund
Manager name	BlackRock	BlackRock	L&G	L&G
Total size of fund at end of the Fund Year	£3.4bn	£3.4bn	£10.6bn	£3.3bn
Value of Fund assets at end of the Fund Year (£ / % of total assets)	£88.9m / 54%	£12.0m / 7.4%	£14.2m / 8.7%	£0.2m / 0.1%
Number of equity holdings at end of the Fund Year	1,486	1,666	6,396	2,791
Number of meetings eligible to vote	931	3,864	9,541	4,828
Number of resolutions eligible to vote	14,092	33,350	99,252	50,462
% of resolutions voted	88.3%	97.2%	99.8%	99.9%
Of the resolutions on which voted, % voted with management	94.0%	91.2%	77.4%	79.0%
Of the resolutions on which voted, % voted against management	6.0%	11.9%	21.9%	19.9%
Of the resolutions on which voted, % abstained from voting	0.8%	3.8%	0.7%	1.2%
Of the meetings in which the manager voted, % with at least one vote against management	29.5%	41.6%	72.8%	66.1%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.4%	0.7%	12.5%	11.1%

Note: BlackRock voting figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote.

9.3 Most significant votes over the Fund Year

Commentary on the most significant votes over the Fund Year, from the Fund's asset managers who hold listed equities, is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria[3] for creating this shortlist. By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The Trustee has interpreted "significant votes" to mean those that:

- the investment manager has identified as significant
- align with the Trustee's stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial;
- the Fund or the sponsoring employer may have a particular interest in.

With the support of its investment adviser, the Trustee has selected one vote which meets the criteria above, for each of its stewardship priorities and for each of the funds used, as its "most significant" votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

BlackRock Aquila Connect MSCI World Fund (hedged and unhedged)

Significant vote 1: Royal Dutch Shell Plc, May 2022

Relevant stewardship priority: Climate Change

Vote cast: For resolution. **Management recommendation:** For resolution.

Summary of resolution: Approve the Shell Energy Transition Progress Update

Rationale for the voting decision: "*At the 2022 annual general meeting (AGM), management proposed an advisory, non-binding shareholder vote on the update of progress made to date against the company's Energy Transition Strategy. Shell originally proposed the Energy Transition Strategy to shareholders at their 2021 AGM, the first company to do so within the industry. BlackRock continue to support this proposal as it recognizes that Shell has a clearly disclosed plan to manage climate-related risks and opportunities and has started to make progress against the plan. BlackRock believes that support for this proposal is in the best long-term economic interests of its clients.*"

Approximate size of the fund's holding at the date of the vote (as a proportion of the fund's holdings)**:** 0.36%

The reason the Trustee considered this vote to be "most significant": This vote had a high media profile and related to a stewardship priority selected by the Trustee. It also relates to one of the most material holdings in terms of carbon emissions. The vote demonstrates BlackRock's approach to engaging with investee companies on the energy transition.

Was the vote communicated to the company ahead of the vote: No.

Outcome and next steps: Passed. The outcome was in line with the manager's vote.

Significant vote 2: The Home Depot, Inc; May 2022

Relevant stewardship priority: Diversity & Inclusion

[3] Vote reporting template for pension scheme implementation statement – Guidance for Trustees (plsa.co.uk). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

Vote cast: For. **Management recommendation:** Against.

Summary of resolution: Oversee and Report a Racial Equity Audit

Rationale for the voting decision: *"BIS supported this shareholder proposal because, in our view, shareholders would benefit from a third party assessment of Home Depot's diversity, equity and inclusion (DEI) practices given their large and diverse workforce and extensive presence in communities.*

BIS believes that periodic racial equity audits can be beneficial for companies in addressing material risks and opportunities to enable stakeholders to track the effectiveness of the company's DEI efforts, and their stated goals, thereby providing insight into the company's ongoing priorities. As such, we appreciate when companies disclose how they consider the interests of their stakeholders in business decision-making. In this context, we look to companies to disclose information about their commitment to advancing DEI, including their efforts to recruit, retain, and develop diverse talent, create an inclusive workplace for all workers, support executive training for underrepresented groups, and address any compensation gaps across different workforce demographics. We believe that a third-party audit would better enable shareholders to assess the effectiveness and outcomes of the company's stated policies and track progress against their stated goals. As a result, we supported this shareholder proposal"

Approximate size of the fund's holding at the date of the vote: 0.56%

The reason the Trustee considered this vote to be "most significant": This vote relates to the Trustee's stewardship priority "Diversity & Inclusion", at a large issuer, which is also a major employer in the US. The vote demonstrates BlackRock's approach to engaging with companies on this Trustee priority.

Was the vote communicated to the company ahead of the vote: No.

Outcome and next steps: Failed. BlackRock will continue to engage with Home Depot on its approach to diversity, equity and inclusion.

BlackRock iShares Emerging Markets Equity Index Fund

Significant vote 3: Grupo Financiero Banorte S.A.B. de C.V., April 2022

Relevant stewardship priority: Diversity & Inclusion

Vote cast: For. **Management recommendation:** For.

Summary of resolution: Election of board members as proposed by the Nominating Committee.

Rationale for the voting decision: *"BIS supported all 14 directors up for election, taking into account Diversity, Equity, and Inclusion considerations. BlackRock is encouraged by Banorte's efforts to establish a more diverse, equitable, and inclusive culture, as reflected in their public commitment to the United Nations Global Compact (UNGC). Banorte has been a signatory to the UNGC since 2011, and is one of 25 Mexican companies that, since 2020, has participated in the UNGC's Target Gender Equality accelerator program. This program guides UNGC member companies as they seek to advance gender equality goals by 2030, such as increasing the percentage of women on the Board of Directors and senior management and reducing the wage gap, among others. BlackRock is encouraged by Banorte's receptiveness to shareholder feedback, including BlackRock's, as demonstrated in the steps the company has taken to date to improve the quality, detail, and timeliness of their disclosures."*

Approximate size of the fund's holding at the date of the vote: 0.38%

The reason the Trustee considered this vote to be "most significant": This vote relates to the Trustee's stewardship priority "Diversity & Inclusion", at one of the largest holdings within the fund. It demonstrates BlackRock's approach to engagement with emerging markets companies on this priority.

Was the vote communicated to the company ahead of the vote: No.

Outcome and next steps: Passed. The outcome was in line with the manager's vote. ***"****While BlackRock supported the election of all 14 directors – including one director that identifies as a woman – per our proxy voting guidelines for Latin American securities, it believes boards should aspire to 30% diversity of membership and encourage companies to have at least two directors on their board who identify as female and at least one who identifies as a member of an underrepresented group. BlackRock believe that diversity of perspective and thought – in the board room, in the management team, and throughout the company – leads to better long-term economic outcomes for companies and their shareholders. Therefore, BlackRock will continue engaging with Banorte to monitor progress on their annual board refreshment process, especially as the company seeks to enhance diversity in the coming years."*

Significant vote 4: Grupo México, S.A.B. de C.V., April 2022

Relevant stewardship priority: Climate Change

Vote cast: Against. **Management recommendation:** For.

Summary of resolution: Annual election of board members.

Rationale for the voting decision: *"BlackRock determined that it is in the best interests of its clients as long-term shareholders to not support the director bundled ballot election at the 2022 AGM. The company has not updated their sustainability-related reporting, and in particular, their climate-related disclosures since the release of their "2020 Sustainable Development Report." In addition, the company has not addressed shareholder concerns, including BlackRock's, regarding the quality and effectiveness of their Board of Directors."*

Approximate size of the fund's holding at the date of the vote: 0.23%

The reason the Trustee considered this vote to be "most significant": This vote relates to the Trustee's stewardship priority "Climate Change", at one of the largest holdings within the fund. It demonstrates BlackRock's approach to engagement with emerging markets companies on this priority.

Was the vote communicated to the company ahead of the vote: No.

Outcome and next steps: Passed. The outcome was not in line with the manager's vote. *"BlackRock will continue to engage Grupo México to share its concerns and to encourage the company to clearly articulate how the board oversees executive leadership's approach to material risks and opportunities, and the company's strategy overall, in alignment with shareholders' long-term interests. It will also aim to gain further insight into the company's plans to update their environmental and social-related disclosures."*

L&G Diversified Fund

Significant vote 5: NextEra Energy Inc, May 2022

Relevant stewardship priority: Diversity & Inclusion

Vote cast: Against. **Management recommendation:** For.

Summary of resolution: Elect Director Rudy E. Schupp

Rationale for the voting decision: *"L&G voted against this election as it expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. L&G are targeting the largest companies it believes that these should demonstrate leadership on this critical issue."*

Approximate size of the fund's holding at the date of the vote: 0.34%

The reason the Trustee considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustee.

Was the vote communicated to the company ahead of the vote: L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is not its policy to engage with investee companies in the three weeks prior to an AGM.

Outcome and next steps: Passed. The outcome was not in line with the manager's vote. *"L&G will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress."*

Significant vote 6: BP Plc, May 2022.

Relevant stewardship priority: Climate Change

Vote cast: For. **Management recommendation:** For.

Summary of resolution: Approve net zero - from ambition to action report

Rationale for the voting decision: *"Whilst L&G notes the inherent challenges in the decarbonization efforts of the oil & gas sector it expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 degrees. It is L&G's view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, L&G remain committed to continuing its constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration."*

Approximate size of the fund's holding at the date of the vote: 0.13%

The reason the Trustee considered this vote to be "most significant": This vote relates to the Trustee's stewardship priority "Climate Change", at one of its most material holdings with respect to climate risk. It demonstrates L&G's approach to engagement on this priority.

Was the vote communicated to the company ahead of the vote: No, L&G voted in line with management.

Outcome and next steps: Passed. The outcome was in line with the manager's vote.

Low Carbon Transition Global Equity Index Fund

Significant vote 7: NVIDIA Corporation, June 2022

Relevant stewardship priority: Diversity & Inclusion

Vote cast: Against. **Management recommendation:** For.

Summary of resolution: Elect Director Harvey C. Jones

Rationale for the voting decision: L&G voted against this as it expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. L&G is targeting the largest companies it believes that these should demonstrate leadership on this critical issue. L&G expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

Approximate size of the fund's holding at the date of the vote (as a proportion of the fund's holdings)**:** 0.88%

The reason the Trustee considered this vote to be "most significant": This vote relates to the Trustee's stewardship priority "Diversity & Inclusion", at one of its largest holdings. It demonstrates L&G's approach to engaging with companies on this priority.

Was the vote communicated to the company ahead of the vote: No

Outcome and next steps: Passed. The outcome was not in line with the manager's vote. *"L&G will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress."*

Significant vote 8: Alphabet Inc., June 2022

Relevant stewardship priority: Climate Change

Vote cast: For. **Management recommendation:** Against.

Summary of resolution: Report on Physical Risks of Climate Change

Rationale for the voting decision: L&G expects companies to be taking sufficient action on the key issue of climate change. L&G considers this vote significant as it is an escalation of L&G's climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote**.**

Approximate size of the fund's holding at the date of the vote: 1.15%

The reason the Trustee considered this vote to be "most significant": This vote relates to the Trustee's stewardship priority "Climate Change", at one of the largest holdings in the DC portfolio. It demonstrates L&G's approach to engaging with companies on this priority.

Was the vote communicated to the company ahead of the vote: L&G publicly communicates its vote instructions on its website. It is not its policy to engage with investee companies in the three weeks prior to an AGM.

Outcome and next steps: Failed. The outcome was not in line with the manager's vote. *"L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress."*