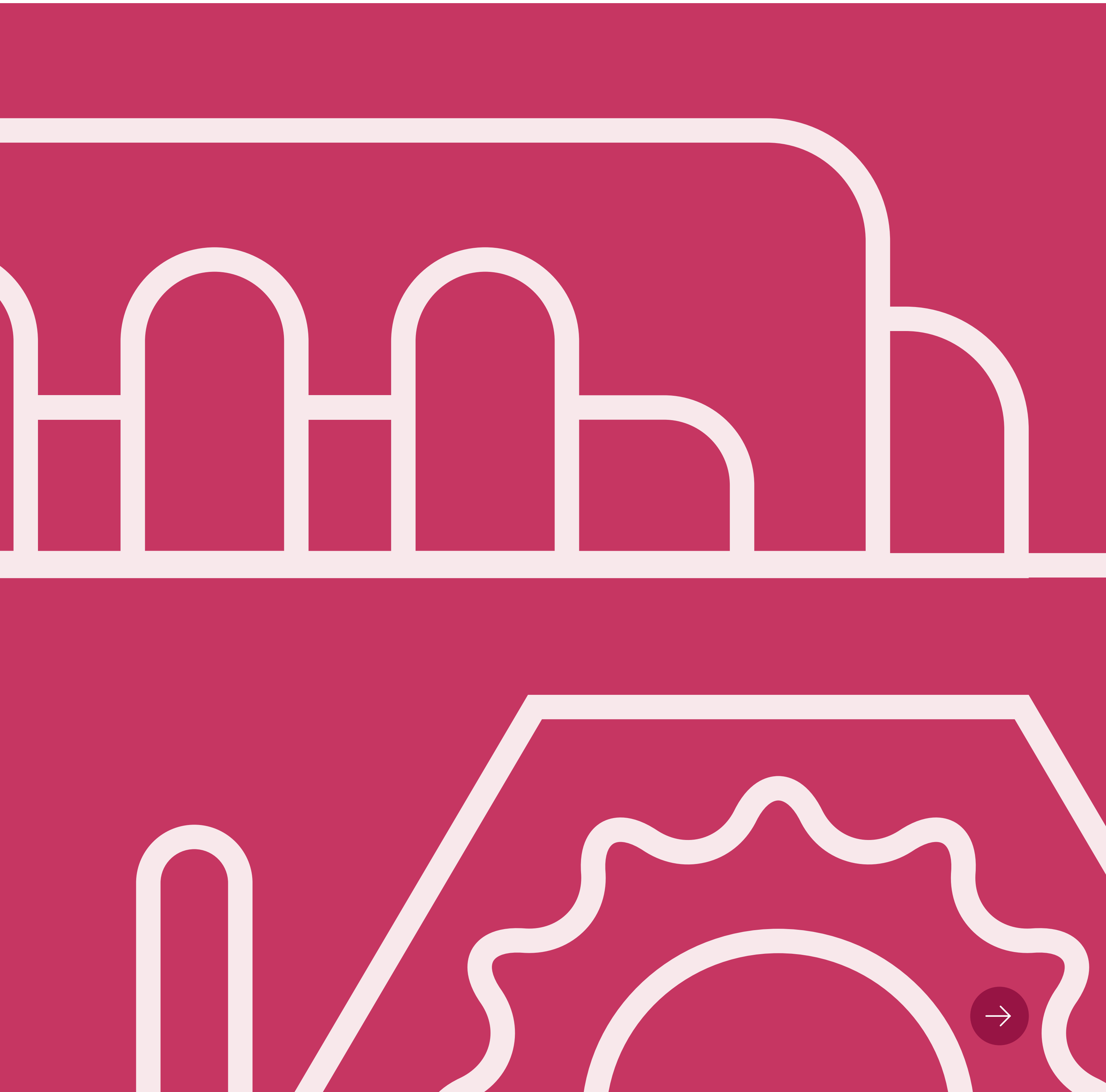
Cummins UK Pension Plan

Implementation statement

1 January 2024 to 31 December 2024



About this statement

The Trustee of the Cummins UK Pension Plan (the Plan) must produce a yearly statement explaining how, and the extent to which, it has followed its Statement of investment principles (SIP) during the Plan year. This must include:

- details of any review of the SIP during the Plan year
- any changes made to the SIP and why
- the date of the last SIP review
- a description of the voting behaviour by (and on behalf of) the Trustee
- the most significant votes cast, stating any use of the services of a proxy voter during that year. This is provided in **section 7**.

In preparing this statement, the Trustee has considered the guidance issued by the Department for Work and Pensions (DWP's guidance) on reporting on stewardship and other topics through the SIP and the Implementation statement.

This statement is based on the SIP dated December 2023. Please read this statement in conjunction with the Plan's **current SIP.**

Contents

1 Introduction

No review of the SIP was carried out during the Plan year. The last formal review was in November 2023, when the Company was consulted and confirmed it was comfortable with the changes.

2 Investment objectives

As at 31 December 2024, the Plan's long-term funding target and DB investment strategy were in the process of being reviewed by the Trustee. The current target is to achieve 103% funding on the Plan's self-sufficiency basis by 31 December 2028.

Progress against the long-term journey plan for the DB Section is reviewed as part of the quarterly performance monitoring reports. The Trustee can also view the progress on an ongoing basis using LCP Visualise (a tool provided by the Plan's investment adviser that shows key metrics and information about the Plan including the investment strategy's expected return and risks).

As part of the performance and strategy review of the DC Section and AVC default arrangements in June 2023, the Trustee considered the membership demographics and the variety of ways that DC Section and AVC members may take their Plan savings at retirement. At a DC workday in January 2024, a variety of new ideas and approaches were considered for the DC strategy. In light of this, a number of investment changes were agreed during the Plan year, which are detailed in **section 3**.

Based on the outcome of this analysis, the Trustee concluded that the default arrangements have been designed to be in the best interests of the majority of the DC Section and AVC members and reflect the demographics of those members.

The Trustee also provides members with access to a range of investment options which it believes are suitable for the purpose and enable appropriate diversification. The Trustee has made available alternative lifestyle strategies and a self-select fund range to members covering all major asset classes. Details are included on the **Plan website**. The Trustee monitors the take up of these alternative choices, and it has been low in comparison with the number of members using the default strategy. The Trustee reminded members in their annual benefit statements in July 2024 to review their investment holdings and check they are suitable for their risk tolerances and retirement planning.

The Trustee reviews the ongoing charges members pay, and this is covered further in **section 4**, under fees.

3 Investment strategy

DB Section

The Trustee, with the help of its advisers and in consultation with the Company, reviewed the DB Section's investment strategy on multiple occasions during the Plan year. The strategy remained under review as at 31 December 2024.

As part of this review, the Trustee works to ensure the DB Section's assets are adequately and appropriately diversified between different asset classes.

Over the year, following a consultation with the Company, the investment sub-committee (ISC) agreed to move from holding unleveraged gilts to investing in a leveraged LDI mandate. To enhance integration and operational efficiency, it was agreed that the buy and maintain credit portfolio would be managed alongside the LDI portfolio by the same investment manager. As part of the selection process, the ISC engaged with a range of prospective managers, also considering both their climate-related practices and broader responsible investment approaches.

Following meetings with the incumbent manager and an alternative provider, the ISC agreed in January 2025 to appoint the alternative manager, LGIM. The transition of assets to LGIM is expected to take place throughout 2025.

In addition, the ISC considered the introduction of an equity allocation within the investment strategy. This involved evaluating a range of equity strategies with varying responsible investment and climate considerations, from traditional market-cap passive approaches to more targeted climate-focused impact strategies. After engaging with several equity managers to assess their approaches, the ISC agreed to invest in passive climate-tilted equities as part of the updated strategy. This investment will be carried out as part of the planned transition outlined above.

The Trustee monitors the Plan's asset allocation on a quarterly basis, which has been broadly in line with its strategic allocation over the Plan year. As previously noted, the Trustee is currently reviewing this strategic allocation.

The triggers put in place as part of the Plan's monitoring mechanism are checked daily using LCP Visualise. During the year, none of these triggers were hit. If a trigger were to be hit, LCP would notify the Trustee so that a discussion could take place.

The Trustee reviews the DB Section's net current and future cashflow requirements on a regular basis. The 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 Trustee maintained sufficient liquidity to meet all cashflow requirements throughout the year and is reviewing the liquidity of the Plan's assets as part of the ongoing investment strategy review.

DC Section

The Trustee, with the help of its advisers and in consultation with the Company, reviewed the DC strategy and performance of the default arrangements over the Plan year. The Trustee agreed the following changes:

- Move to a new phased approach for the default lifestyle, which will now de-risk at 10 and five years from retirement.
- Rename the Accelerated growth and Moderate growth funds as the Grow and Strengthen funds respectively to align the fund names with the stages of members' retirement saving journey.
- Introduce a new blended fund for the retirement phase allocation called the Prepare fund, to be consistent with the first two stages of the lifestyle strategy.
- Add the Nordea Diversified Return Fund into the Strengthen and Prepare funds for use alongside the current LGIM Diversified Fund.
- Introduce an allocation to the M&G Total Return Credit Investment Fund to the Prepare fund and remove the LGIM Cash Fund.
- Close and remove the other two lifestyle strategies, namely, the Annuity protection lifestyle and Cash lifestyle. Members will be transferred into the main default, unless they make an alternative choice.
- Launch the Shariah lifestyle to allow members to invest in a lifestyle which aligns with their religious beliefs.

As part of this review, the Trustee made sure the Plan's default arrangement will be adequately and appropriately diversified between different asset classes and that the self-select options will provide a suitably diversified range to choose from. These changes were implemented in June 2025.

The Trustee reviewed the retirement data provided by the administrator at the Plan year end to see how members access their benefits. The available data is limited given the young age profile of the membership.

4 Investment arrangements

When the Trustee reviewed the DB investment strategy over the year, it considered the investment risks set out in sections 7.4 and 7.5 of the SIP. The Trustee also considered a range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Plan's investment strategy review was ongoing as at 31 December 2024. Post year end, as set out in the previous section, the Trustee agreed to move the Plan's assets in the unleveraged gilt funds and the segregated credit portfolio managed by BlackRock to a new manager, LGIM. The Trustee will be appointing LGIM over 2025. Similar to the process for BlackRock, the investment adviser, LCP, will provide the Trustee with information on the investment process, the investment teams, past performance and formal written advice.

When the Trustee undertook a performance and strategy review of the DC default arrangements in July 2023, it considered the investment risks set out in section 7.6 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 formally reviewed its investment beliefs shortly after the Plan year end in March 2025. Following discussion, the Trustee considered that its investment beliefs remain appropriate.

The Trustee invests for the long term, to provide for the Plan'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* activities are aligned to the creation of long-term value and the management of long-run systemic risks.

The Plan's investment adviser, LCP, monitors the investment managers on an ongoing basis and informs the ISC promptly of any developments. The ISC considers whether to inform the Trustee about any significant updates or events it is made aware of, in particular any developments 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 Plan invests in, or any material change in the level of diversification within the funds.

The Trustee monitors the performance of the Plan's investment managers on a quarterly basis, using the quarterly performance monitoring report which shows the performance of each fund. 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 as part of the standard monitoring reports.

*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.

Fees

The Trustee, through LCP, carried out a value-for-members' assessment in April 2025 looking at the Plan year to 31 December 2024. This covered a range of factors, including the fees payable to managers in respect of the DC Section, which were found to be reasonable when compared against other pension schemes with similar-sized mandates.

The Trustee reviews the investment manager fee arrangements for the DB Section from time to time. Historically, when this exercise has been carried out, the costs have been found to be reasonable when compared to mandates managed for other pension schemes of similar size and composition.

5 Social, environmental and ethical issues

The Trustee published the Plan's second Climate change report in July 2024 and will publish its third report alongside the Trustee Report & Accounts for the year to 31 December 2024.

The Trustee agreed to the following stewardship priorities for the Plan in March 2023, and these remain unchanged:

- climate change
- human rights
- corporate transparency.

These priorities were selected based on the results of a Trustee poll and were communicated to the relevant investment managers. The Trustee will review the investment managers' policies and engagement activity related to these priorities periodically.

As part of its advice on the selection and ongoing review of the Plan's investment managers, the Trustee'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), voting and engagement, where possible.

Within the DC Section and AVC arrangement, the Trustee recognises that some members may wish for ethical or religious matters to be taken into account in their investments and therefore, as mentioned in the SIP, it has made available the following two funds as investment options to members:

- Ethical global equity index fund (underlying fund is the LGIM Ethical Global Equity Index)
- Shariah equity fund (underlying fund is the HSBC Islamic Global Equity Index).

The Shariah equity fund allows members to invest in a fund where the principles are aligned with Islamic Sharia and ensures the DC Section and AVC arrangement are suitable for a wider variety of members.

As referred to in **section 3**, further changes are being introduced for DC Section and AVC members, including the launch of the Shariah lifestyle to allow members to invest in a lifestyle which aligns with their religious beliefs.

The Trustee has set an aspiration for the Plan's assets to have net-zero carbon emissions by no later than 2050 to help mitigate climate risk. It aspires to align the Plan's assets with net-zero greenhouse-gas emissions by 2050 through selecting managers and investing in funds with credible net-zero targets, as well as engaging with their appointed managers on their progress against their net-zero targets. To assess the credibility of managers' plans to meet their net-zero targets, the Trustee is monitoring their climate-related metrics. 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 Plan's stewardship by monitoring and engaging with managers.

As part of its advice on the selection and ongoing review of the investment managers, the Plan's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement. During the Plan year, the Trustee engaged with BlackRock and LGIM to encourage greater transparency of engagement (through better quality reporting) and more action to be taken to help meet the Plan's net-zero aspiration.

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 improvement.

6 Other matters

Risk management

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.

DB Section

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 Plan's investment adviser or information provided to the Trustee by the Plan's investment managers. These include solvency and mismatching risk, sponsor risk, credit risk, equity risk, liquidity risk, political risk, manager risk, currency risk, custodial risk and ESG (including climate) risks. Following elevated gilt market volatility in 2022, liquidity risk has been considered in more detail by the Trustee as part of continuing investment strategy considerations.

Looking at the risk of inadequate returns, as part of the quarterly investment monitoring, the Trustee considers the Plan's funding against the return required to achieve the long-term target to be 103% funded on a self-sufficient basis by the end of 2028. As part of the ongoing investment strategy review, the Trustee is also reviewing the long-term target date.

The DB Section's interest rate and inflation hedging levels are typically considered as part of quarterly investment monitoring reports. The Plan's hedging levels were broadly in line with the target levels. At the year end, the Trustee was reviewing the investment strategy, including the Plan's interest rate and inflation hedging strategy.

DC Section

The Trustee considers the following risks:

- opportunity or shortfall risk – the risk that members don't take sufficient risk at a stage in their lives when they're most able to, resulting in a smaller-than-expected pension account at retirement
- capital risk – members' savings fall in absolute terms
- inflation risk – investment return over members' working lives doesn't keep pace with inflation.

To mitigate these risks, 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 used throughout the default lifestyle arrangements and are also made available within the self-select options. These funds are expected to produce positive real (specifically, above inflation) returns over the longer term. As part of the default lifestyle arrangements, the equity allocation is gradually reduced for the typical member in the years approaching retirement. Lower volatility assets are used to minimise the risk that members lose material amounts of their retirement pots with a small number of years to their retirement.

The Trustee has made available a lifestyle strategy to address the annuity conversion risk present in the DC Section and AVC arrangement if members plan to purchase an annuity with their retirement savings. This refers to the risk that relative market movements in the years just prior to retirement may lead to a substantial reduction in the pension and cash lump sum secured. The annuity protection strategy aims to hedge against annuity price movements as members approach their target retirement age. An annuity-focused fund, which aims to broadly match annuity prices, is also available to members as a self-select option. From June 2025, this strategy will no longer be available to members. Members will still be able to invest in the Annuity focused fund as a self-select option if they wish to hedge against annuity price movements.

There is also consideration of the 'lack of diversification' risk, which is the risk that the failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the value of the Plan's assets. To mitigate this risk, the Trustee has diversified the Plan's assets between different asset classes and within each asset class.

Members of the Plan also face the risk that pension pots are eroded due to unduly high investment charges. The Trustee works to mitigate this risk by regularly reviewing the costs associated with managing the Plan's assets, as noted in **section 4**.

For AVC members, the Trustee makes available the same investment arrangements as for DC Section members.

In considering the risk of inadequate returns for the DC Section, 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 used throughout the default option and are also made available within the self-select fund range. These funds are expected to produce adequate real returns over the longer term. The Trustee monitors the standard deviation and returns of these funds on a quarterly basis.

Together, the investment and non-investment risks set out in section 7.4 of the SIP give rise generally to funding risk. The Trustee formally reviews the Plan's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis, the Trustee reviews the funding position, allowing for membership and other experience. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings and can monitor it daily on LCP Visualise.

Please refer to earlier in this statement for details on diversification risk (**section 3**) and investment manager risk (**section 4**).

7 Voting behaviour

All of the Plan'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 can't direct how votes are exercised and hasn't used proxy voting services over the Plan year. However, the Trustee takes ownership of the Plan's stewardship by monitoring and engaging with managers as detailed below.

DB Section

As at December 2024, we can confirm that none of the funds held in the DB Section invested in listed equities over the Plan year. However, we have included commentary (provided by the investment managers) on the following funds that don't hold listed equities but have a proxy voting policy in place:

- CDH VGC Fund II LP
- CDH VGC Fund I USD Parallel LP
- WTW Secure Income Fund

We haven't included voting data or commentary on the following funds that the Plan invested in during the period, which don't hold listed equities and where there are either no voting opportunities or where voting information is not available:

- Axiom Asia Private Capital Fund II
- Real Estate Capital Asia Partners IV LP
- CS Capital Partners V LP
- Nuveen Tiaa Cref Global Agriculture II LLC
- CS Iris Low Volatility Plus T Feeder Fund
- BlackRock Buy and Maintain Portfolio
- BlackRock Aquila Life Over 25 Years Index Linked Gilts Fund
- BlackRock Aquila Life Over 25 Years Fixed Interest Gilts Fund

Commentary provided from managers that do have a proxy voting policy in place is set out in **section 7.1**.

DC Section

For the DC Section, we've included only the funds with equity holdings used in the default strategies, given the high proportion of DC Section assets invested in these funds. In addition, we've also included self-select funds which incorporate ESG or ethical factors, recognising that members choosing to invest in these funds may be interested in this information. We haven't included any other self-select funds on materiality grounds.

7.1 Voting processes

LGIM

All decisions are made by LGIM's investment stewardship team in accordance with its policies on corporate governance, responsible investment and conflicts of interest, which are reviewed annually. Each team member is assigned a specific sector globally, ensuring that the same individuals responsible for engagement with a company also handle voting. This approach allows LGIM's stewardship strategy to be seamlessly integrated into both engagement and voting processes, ensuring consistent messaging to companies.

The investment stewardship team uses Institutional Shareholder Services' (ISS) ProxyExchange electronic voting platform to cast votes on behalf of clients. All voting decisions are made internally by LGIM, without outsourcing any part of the strategic decision-making process.

LGIM's use of ISS recommendations serves solely to complement its own research and proprietary ESG assessment tools. Additionally, the investment stewardship team consults research reports from Institutional Voting Information Services (IVIS) to supplement ISS reports when making specific voting decisions for UK companies.

To ensure that proxy voting aligns with LGIM's ESG positions, a custom voting policy with specific instructions has been implemented. These instructions apply across all global markets and establish what LGIM considers to be minimum best practice standards that all companies should follow, regardless of local regulations or customs.

LGIM retains the ability to override any vote decisions, based on its custom voting policy. This may happen when direct engagement with a company provides additional insights (such as disclosures in an annual report) that call for a qualitative adjustment to voting decisions. Stringent monitoring controls are in place to ensure that votes are executed effectively and in alignment with LGIM's policies by its service provider. These controls include regular manual checks of vote submissions and an electronic alert system to flag rejected votes requiring further action.

HSBC

HSBC exercises its voting rights as an expression of stewardship for client assets. It follows global voting guidelines designed to protect investor interests and promote good governance practices, highlighting independent directors, performance-linked remuneration, limitations on shareholder dilution and opposition to poison pills.

HSBC uses ISS to assist with the global application of its voting guidelines. ISS reviews company meeting resolutions and provides recommendations, identifying resolutions that contravene HSBC's guidelines. Voting policy recommendations are assessed based on the scale of overall holdings, with the majority of votes cast in alignment with the recommendations, taken from HSBC's guidelines.

Votes against management recommendations are considered the most significant. In climate-related matters, HSBC encourages companies to disclose their carbon emissions and climate risks in accordance with TCFD recommendations. For companies operating in energy-intensive sectors that consistently fail to disclose carbon emissions and climate risk governance, HSBC generally votes against the re-election of the Chair. Additionally, HSBC typically supports shareholder resolutions advocating for increased climate-related disclosures.

HSBC funds and client mandates may include shares in its parent company, HSBC Holdings PLC. A specialised procedure is in place to manage voting on these shares and address potential conflicts of interest. HSBC also implements procedures to handle other possible conflicts, although it doesn't believe it has exposure to the conflicts outlined in this context.

Commentary from DB asset managers

The following commentary was provided by the Plan's asset managers who do not hold listed equities, but have provided information regarding their proxy voting policy:

- **CDH – CDH VGC Fund II LP and CDH VGC Fund I USD Parallel LP**
  The funds are private equity funds where listed securities are not our primary targets for investments. In each of our investments, we target to negotiate for significant minority protection rights and, in most cases, we would obtain a board seat to be actively involved in the management of our portfolio company and to ensure proper governance. It is our policy that our funds should exercise their rights to vote in all matters submitted for shareholders' votes. The deal team responsible for the investment shall assess the merits of each proposal based on the team's understanding and expectation on the company's business and strategy and recommend voting accordingly. The legal and compliance team shall review the recommendation to assess if the funds' rights might be adversely affected. If any material deviations from our investment thesis or shareholder's rights are identified, the matter will be elevated to the investment committee for decision. If not, the fund shall vote in accordance with the deal team's recommendation.

- **WTW – WTW Secure Income Fund (SIF)**
  As the SIF invests in private markets, via underlying fund managers who often own a majority share in the assets they hold, there are few formal votes taken. Where there are formal votes, typically these are via Investor Advisory Committees (IACs) which tend to be made up of larger investors and represent the interests of all investors in the fund. It is common for WTW to have an observer seat on these committees in order to represent our wider client base. However, in most situations, the SIF also takes a voting seat and is an active participant. Over the 12 months to 31 December 2024, we attended 26 IAC (or equivalent) meetings for the SIF's underlying managers.

7.2 Summary of voting

A summary of voting behaviour over the Plan year is provided in the table below.

DB Section

During the Plan year, none of the Plan's funds held listed equities. Hence, there were no voting rights to be exercised.

DC Section

White-labelled fund name	Accelerated growth and Moderate growth	Accelerated growth and Moderate growth	Accelerated growth and Moderate growth	Moderate growth	Ethical global equity index	Shariah equity fund
Manager name	LGIM	LGIM	LGIM	LGIM	LGIM	HSBC
Fund name	MSCI ACWI Adaptive Capped ESG Index Fund (Accelerated growth – 40% allocation, Moderate growth – 8% allocation)	RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund (Accelerated growth – 20% allocation, Moderate growth – 4% allocation)	Low Carbon Transition Global Equity Index (Accelerated growth – 40% allocation, Moderate growth – 8% allocation)	Diversified Fund (80% allocation)	Ethical Global Equity Index Fund	Islamic Global Equity Index Fund
Total size of fund at end of the Plan year	£2,839m	£1,499m	£5,806m	£12,570m	£1,304m	£4,444m
Value of Plan assets at end of the Plan year (% of total assets)	£130.9m (28.7%)	£65.4m (14.3%)	£130.9m (28.7%)	£100.3m (22%)	£2.2m (0.5%)	£1.5m (0.3%)
Number of equity holdings at end of the Plan year	2,092	2,254	2,719	7,317	1,092	99
Number of meetings eligible to vote	3,106	3,411	4,786	10,851	1,174	103
Number of resolutions eligible to vote	35,924	38,104	47,788	108,048	16,651	1,677
% of resolutions voted	99.7%	99.7%	99.8%	99.8%	99.5%	94.5%
% voted with management	78.4%	79.8%	79.5%	76.7%	82.1%	77.7%
% voted against management	20.2%	19.1%	19.5%	22.4%	17.6%	22.3%
% abstained from voting	1.4%	1.1%	1.0%	0.9%	0.4%	0.1%
% with at least one vote against management	68.7%	65.7%	62.2%	70.1%	74.0%	76.7%
% voted contrary to recommendation of proxy adviser	13.8%	13.0%	11.1%	13.8%	13.7%	1.5%

7.3 Significant votes

Commentary on the most significant votes over the Plan year, from the Plan'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 (AGM) season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee didn't identify significant voting ahead of the reporting period. Instead, we've retrospectively created a shortlist of the most significant votes by requesting each manager to provide a shortlist of votes, which comprises a minimum of 10 most significant votes, and suggested the managers could use the PLSA's criteria* for creating this shortlist.

We've selected a subset of the votes reported by the managers. The Trustee has interpreted 'significant votes' to mean those that:

- 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 wouldn't be considered the only determinant of significance, rather an additional factor
- have a high media profile or are seen as being controversial
- are shareholder resolutions which received material support
- aligned with the investment manager's engagement priorities or key themes
- the Plan or the sponsoring company may have a particular interest in.

The Trustee has reported on one of these significant votes per fund only. If you'd like more investment manager voting information, this is available upon request from the Trustee.

*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.

LGIM MSCI ACWI Adaptive Capped ESG Index
(40% of Accelerated growth fund and 8% of Moderate growth fund)

Canadian Imperial Bank of Commerce, April 2024	Vote cast: For	Outcome: Passed
Relevant stewardship priority	Corporate transparency	
Company management recommendation	Against	
Summary of resolution	Hold annual meetings of the company in person with virtual meetings as complements.	
Approx size of the holding at the date of the vote	0.2%	
Rationale	A vote in favour is applied because LGIM believes that shareholder meetings are a fundamental shareholder right and an important forum for dialogue between shareholders and board directors. LGIM supports AGMs to be held via electronic means as long as in-person attendance remains an option for those shareholders wishing to participate in the governance practices of the company in this manner.	
Why this vote is considered to be most significant	The vote relates to one of the Trustee's stewardship priorities.	
Was the vote communicated to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.	
Outcome and next steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	

LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index (20% of Accelerated growth fund and 4% of Moderate growth fund)

Apple Inc., February 2024	Vote cast: Against	Outcome: Not passed
Relevant stewardship priority	Human rights	
Company management recommendation	Against	
Summary of resolution	Report on risks of omitting viewpoint and ideological diversity from equal employment opportunity (EEO) policy.	
Approx size of the holding at the date of the vote	2.3%	
Rationale	A vote against this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts. Non-discrimination policies, including viewpoint and ideology in EEO policies do not appear to be a standard industry practice.	
Why this vote is considered to be most significant	The vote relates to one of the Trustee's stewardship priorities.	
Was the vote communicated to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.	
Outcome and next steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	

LGIM Low Carbon Transition Global Equity Index (40% of Accelerated growth fund and 8% of Moderate growth fund)

Tesla Inc., June 2024	Vote cast: Against	Outcome: Passed
Relevant stewardship priority	Corporate transparency	
Company management recommendation	For	
Summary of resolution	Advisory vote to ratify named executive officers' (NEO) compensation.	
Approx size of the holding at the date of the vote	1.3%	
Rationale	A vote against is applied as LGIM believes that the approved remuneration policy should be sufficient to retain and motivate executives. While most NEOs received modest or no compensation for the financial year of 2023, one executive was granted an outsized, time-based stock option award upon his promotion, the magnitude and design for which are not adequately explained. The grant does not require the achievement of pre-set performance criteria in order to vest and the value is considered to be excessive.	
Why this vote is considered to be most significant	The vote relates to one of the Trustee's stewardship priorities.	
Was the vote communicated to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.	
Outcome and next steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	

LGIM Diversified Fund
(80% of Moderate growth fund)

Shell Plc., May 2024	Vote cast: Against	Outcome: Passed
Relevant stewardship priority	Climate change	
Company management recommendation	For	
Summary of resolution	Approve the Shell energy transition strategy.	
Approx size of the holding at the date of the vote	0.3%	
Rationale	While recognising the substantial progress the company has made in climate-related disclosure in recent years, as well as the positive commitments to reducing emissions from operated assets and oil products, addressing methane emissions and ceasing frontier exploration activities beyond 2025, concerns remain. In light of revisions to the Net Carbon Intensity (NCI) targets and the ambition to expand its gas business this decade, the company is expected to provide greater clarity on how these plans align with a structured transition to net-zero emissions by 2050.	
Why this vote is considered to be most significant	The vote relates to one of the Trustee's stewardship priorities.	
Was the vote communicated to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.	
Outcome and next steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	

LGIM Ethical Global Equity Index Fund

Microsoft Corporation, December 2024	Vote cast: For	Outcome: Not passed
Relevant stewardship priority	Corporate transparency	
Company management recommendation	Against	
Summary of resolution	Report on AI data sourcing accountability.	
Approx size of the holding at the date of the vote	6.8%	
Rationale	A vote for this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models.	
Why this vote is considered to be most significant	The vote relates to one of the Trustee's stewardship priorities.	
Was the vote communicated to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.	
Outcome and next steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	

HSBC Islamic Global Equity Index (Shariah fund)

NVIDIA Corporation, June 2024	Vote cast: Against	Outcome: Passed
Relevant stewardship priority	Corporate transparency	
Company management recommendation	For	
Summary of resolution	Advisory vote to ratify named executive officer's compensation.	
Approx size of the holding at the date of the vote	8.2%	
Rationale	HSBC considered the total pay excessive. The vesting period is not sufficiently long and the performance measurement period is not sufficiently long.	
Why this vote is considered to be most significant	The vote relates to one of the Trustee's stewardship priorities.	
Was the vote communicated to the company ahead of the vote?	No	
Outcome and next steps	HSBC will vote against a similar proposal should insufficient improvements be made.	