Lotus Pension Plan

Statement of Investment Principles

Date prepared: August 2024

Date signed: August 2024

Contents

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustees of the Lotus Pension Plan (the Plan). This statement sets down the principles which govern the decisions about investments that enable the Plan to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustees have consulted Group Lotus Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

2. Choosing investments

2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Plan's assets is delegated to one or more investment managers. The Plan's investment managers are detailed in Appendix 1 of this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3. The Trustees review the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustees have discussed key investment objectives in light of an analysis of the Plan's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:

- to ensure that the Plan can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to achieve a long-term positive real return;

- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Plan's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the participating employer, the cost of current benefits which the Plan provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Plan by maximising the return on the assets whilst having regard to the above objectives.

3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Plan's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Plan's objectives as best as possible.

4. Kinds of investments to be held

4.1. The Plan is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

4.2. The Trustees do not hold any employer-related investments (other than potentially where held indirectly by a pooled fund). This position is typically checked periodically by the Plan's auditor and, in the unlikely event that such employer-related investment exceeds 5% of the portfolio, the Trustees will take steps to alter the position.

5. The balance between different kinds of investments

5.1. The Plan invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within Appendix 1 of this Statement.

5.2. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 of this Statement.

5.3. From time to time the Plan may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.

5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's asset allocation will be expected to change as the Plan's liability profile matures.

6. Risks

6.1. The Trustees have considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employer earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Plan's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 of this Statement and is monitored on a regular basis by the Trustees.
Investment manager risk	The Trustees monitor the performance of each of the Plan's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary, usually on an annual basis. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Plan and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Plan's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cashflow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Plan's liabilities are denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Plan's funding position. The Trustees meet the Plan's investment managers as frequently as is appropriate, in order to review performance.

8. Realisation of investments

8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.

8.2. Ultimately, the investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

9. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

9.1. The Trustees have set policies in relation to these matters. These matters are set out in Appendix 2.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment polices

10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Plan's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.

10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

10.3. The Trustees carry out a strategy review typically at least every three years where they assess the continuing relevance of the strategy in the context of the Plan's membership and their aims, beliefs and constraints.

The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.

10.4. In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be reviewed.

10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

10.6. The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.

10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

10.8. The Trustees expect investment managers to be voting and engaging on behalf of the Plan's holdings and the Plan monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

10.9. The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.

10.10. The Plan invests mainly in pooled funds. The investment managers are remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.

10.11. The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment managers to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.12. The Trustees ask the Plan's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

10.13. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.

10.14. During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

10.15. For the open-ended pooled funds in which the Plan invests, there are no predetermined terms of agreement with the investment managers.

10.16. The suitability of the Plan's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

11. Agreement

11.1. This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Plan auditor upon request.

Signed: .... **Date:** ....

On behalf of the Lotus Pension Plan

Appendix 1 Note on investment policy of the Plan as at August 2024 in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Plan has a strategic asset allocation which has been agreed after considering the Plan's liability profile, funding position, expected return of the various asset classes and the need for diversification. This is split into a Growth Portfolio and a Protection Portfolio.

Protection Portfolio

The Scheme's Protection Portfolio is invested in the following LGIM Investment Management ("LGIM") funds:

- LGIM Matching Core Funds, namely:
    - LGIM Matching Core Fixed Short Fund
    - LGIM Matching Core Fixed Long Fund
    - LGIM Matching Core Real Short Fund
    - LGIM Matching Core Real Long Fund
- LGIM Absolute Return Bond Fund

The allocation to the Protection Portfolio, and to the funds within it, is intended to target interest rate and inflation hedge ratios of approximately 100% of funded liabilities (i.e. assets). However, the Trustees recognise that the allocation of investments within the Protection Portfolio, and the actual hedge ratios, will change over time as a result of market movements. The Trustees will monitor the asset allocation and hedge ratios relative to their targets and make decisions to rebalance as appropriate in the context of the overall investment strategy and prevailing market conditions at the time.

Growth Portfolio

The Trustees have set a long-term strategic allocation for the Growth Portfolio, which is invested in the following funds:

- LGIM Global Equity Fixed Weights 50:50 Index Fund – GBP Currency Hedged
- LGIM Diversified Fund
- Ruffer Absolute Return Fund

Based on asset values as at July 2024, when the current Growth Portfolio was last reviewed, the approximate intended asset allocations within the growth portfolio are shown below.

Fund	Allocation
LGIM Global Fixed Weights 50:50 Index Fund – GBP Currency Hedged	50%
LGIM Diversified Fund	25%
Ruffer Absolute Return Fund	25%
Total	**100%**

Total Portfolio

The allocation between the Growth and Protection Portfolios will vary over time as a result of market movements. Since the interest rate and inflation hedge ratios largely define the allocation to the Protection Portfolio and these are intended to remain constant, the Total Portfolio allocation will not be regularly re-balanced back towards a target.

2. Choosing investments

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Plan:

- LGIM (Matching Core Funds, Absolute Return Bond Fund, Equities and DGF);
- Ruffer (DGF);

3. Investments and disinvestments

Unless the Trustees indicate otherwise, disinvestments are taken from, or any available cash is invested into, the Growth Portfolio so as to rebalance it closer towards its intended asset allocations.

Cashflow transactions should not be made to or from the Scheme's LDI funds except for the purpose of adjusting the Scheme's hedging ratios.

Appendix 2 Financially material considerations, non-financially material considerations and stewardship

1. Financially Material Considerations

The Trustees consider that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) will be financially material for the Plan over the length of time during which the benefits provided by the Plan for members require to be funded to a level which would allow the benefits to be bought out with an insurer. This is likely to be not less than five years from the date of this statement of investment principles.

The Trustees have elected to invest the Plan's assets through pooled funds. The choice of underlying funds is made by the Trustees after taking advice from their investment consultant. The Trustees, and the managers of the underlying funds, take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

Retention of investments: Developing a monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustees will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Plan's investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:-

- The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Plan and its investments;
- As part of ongoing monitoring of the Plan's investment managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Plan's investment managers take account of ESG issues; and
- Through their investment consultant the Trustees will request that all of the Plan's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

2. Non-financially material considerations

The Trustees do not take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future qualify of life of the members and beneficiaries of the Plan (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

The Trustees will review their policy on whether or not to take account of non-financial matters on an annual basis.

3. Stewardship

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment managers about relevant matters (including business performance, strategy, capital structure, management of conflicts of interest, ESG and corporate governance matters), through the Plan's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

4. Engagement activities

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers, they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Plan or as part of the pooled fund in which the Plan holds units.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan.

Should an investment manager be failing in these respects, this should be captured in the Plan's regular performance monitoring.

The Plan's investment managers are granted full discretion over whether or not to invest in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Plan's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.

Implementation Statement

Lotus Pension Plan

Purpose of this statement

This implementation statement has been produced by the Trustees of the Lotus Pension Plan ("the Plan") to set out the following information over the year to 31 December 2023:

- how the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Plan's investment managers on behalf of the Trustees over the year, including information regarding the most significant votes; and

Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force at 27 January 2024 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in January 2024 and has been made available online here:

https://schemedocs.com/lotus-pension-plan-statement-investment-principles.html

The Trustee's Statement of Investment Principles (SIP) in force at the year-end describes the Trustee's policy on the exercise of rights (including voting rights) and engagement activities as follows:

"The Trustees expect investment managers to be voting and engaging on behalf of the Plan's holdings and the Plan monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets."

At this time, the Trustees have not set stewardship priorities / themes for the Plan but will be considering the extent that they wish to do this in due course, in line with other Plan risks.

How voting and engagement/stewardship policies have been followed

Based on the information provided by the Plan's investment managers, the Trustees believe that their policies on voting and engagement have been met in the following ways:

- The Plan invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities in these funds to the fund managers.
- The Trustees, with input from their investment consultant, annually receive and review (through their Implementation Statement), the voting information and engagement policies of their investment managers to ensure alignment with their own policies. The Trustees believe that the voting and

engagement activities undertaken by the asset managers on their behalf have been in the members' best interests.

- Based on the data currently available, which is presented below, the Trustees are comfortable that the actions of the fund managers are in alignment with the Plan's stewardship policies.

Prepared by the Trustees of the Lotus Pension Plan
June 2024

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Plan's Growth Portfolio on behalf of the Trustees over the year to 31 December 2023.

Voting is not applicable to the Plan's Liability Driven Investment ("LDI") and Absolute Return Bond holdings with LGIM. This is because these funds invest only in fixed income assets, which have no voting rights. The LGIM, Baillie Gifford and Ruffer funds invest across a diverse range of asset classes and are therefore included below as the equity holdings carry voting rights.

Manager	LGIM	LGIM	Baillie Gifford	Ruffer
Fund name	LGIM Global Equity Fixed Weight 50:50 GBP Hedged	Diversified Fund	Multi Asset Growth Fund	Absolute Return Fund
Structure	Pooled			
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.			
No. of eligible meetings	3,052	9,077	50	65
No. of eligible votes	39,790	94,290	528	1,051
% of resolutions voted	99.9%	99.8%	92.3%	100.0%
% of resolutions abstained	0.1%	0.3%	0.4%	1.9%
% of resolutions voted with management[1]	81.5%	76.4%	97.1%	95.0%
% of resolutions voted against management[1]	18.4%	23.4%	2.5%	3.1%
Proxy voting advisor employed	Institutional Shareholder Services (ISS) ProxyExchange	Institutional Shareholder Services (ISS) ProxyExchange	Baillie Gifford vote in line with their in-house policy and not with the proxy voting providers' policies.	Institutional Shareholder Services (ISS)
% of resolutions voted against proxy voter recommendation	13.3%	14.6%	n/a	9.2%

Source: LGIM, Baillie Gifford and Ruffer.

Totals may not sum due to rounding.

[1] As a percentage of the total number of resolutions voted on

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a "significant" vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a plan's stewardship priorities / themes. At this time, the Trustees have not set stewardship priorities / themes for the Plan, but will be considering the extent that they wish to do this in due course, in line with other Plan risks. So, for this Implementation Statement, the Trustees have asked the investment managers to determine what they believe to be a "significant vote". The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees are yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

LGIM, Baillie Gifford and Ruffer have provided a selection of 736 (Global Equity Fixed Weight 50:50 GBP Hedged) & 2279 (Diversified Fund), 10 and 13 votes, respectively, which they believe to be significant. In the absence of agreed stewardship priorities / themes, the Trustees have selected 3 votes from each manager, that cover a range of themes to represent what it considers the most significant votes cast on behalf of the Plan. To represent the most significant votes, the votes of the largest holdings relating to each topic are shown below.

A summary of the significant votes provided is set out below.

LGIM Global Equity Fixed Weight 50:50 GBP Hedged

	Vote 1	Vote 2	Vote 3
Company name	Shell Plc	BP Plc	Glencore Plc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.51%	1.89%	1.26%
Summary of the resolution	Resolution 25 - Approve the Shell Energy Transition Progress	Resolution 4 - Re-elect Helge Lund as Director	Resolution 19: Shareholder resolution "Resolution in Respect of the Next Climate Action Transition Plan"
How the manager voted	Against	Against	For
Rationale for the voting decision	A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate	A vote against is applied due to governance and board accountability concerns. Given the revision of the company's oil production targets, shareholders expect to be given the opportunity to vote on the company's amended climate transition strategy at the 2023 AGM. Additionally, LGIM note concerns around the governance processes leading to the decision to implement such amendments.	In 2021, Glencore made a public commitment to align its targets and ambition with the goals of the Paris Agreement. However, it remains unclear how the company's planned thermal coal production aligns with global demand for thermal coal under a 1.5°C scenario. Therefore, LGIM has co-filed this shareholder proposal (alongside Ethos Foundation) at Glencore's 2023 AGM, calling for disclosure on how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This

	Vote 1	Vote 2	Vote 3
	alignment with the 1.5C trajectory.		proposal was filed as an organic escalation following LGIM's multi-year discussions with the company since 2016 on its approach to the energy transition.
Outcome of the vote	Pass	Not provided	Fail
Implications of the outcome	LGIM continues to undertake extensive engagement with Shell on its climate transition plans	LGIM will continue to engage with the company and monitor progress.	
Criteria on which the vote is considered "significant"	Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	LGIM consider this vote to be significant given their long-standing engagement with the company on the issue of climate.	LGIM considers this vote to be significant as LGIM co-filed this shareholder resolution as an escalation of LGIM's engagement activity, targeting some of the world's largest companies on their strategic management of climate change.

LGIM Diversified Fund

	Vote 1	Vote 2	Vote 3
Company name	Prologis, Inc.	Toyota Motor Corp.	Amazon.com, Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.42%	0.21%	0.13%
Summary of the resolution	Resolution 1j – Elect Director Jeffrey L. Skelton	Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps
How the manager voted	Against	For	For
Rationale for the voting decision	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills,	LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board

	Vote 1	Vote 2	Vote 3
	experience, tenure, and background. Independence: A vote against is applied as LGIM expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background. Diversity: A vote against is applied as the company has an all-male Executive Committee.	acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, LGIM believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. They believe the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.	diversity is an engagement and voting issue, as LGIM believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.
Outcome of the vote	Not provided	Fail	Fail
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets LGIM manage on their behalf.	LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health. In addition, LGIM expect companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets LGIM manage on their behalf.

Baillie Gifford Multi Asset Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Prysmian S.P.A	Consolidated Edison, Inc.	Nextera Energy, Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.4%	0.2%	0.1%

	Vote 1	Vote 2	Vote 3
Summary of the resolution	Remuneration	Appoint/Pay Auditors	Shareholder Resolution - Governance
How the manager voted	Against	Against	For
Rationale for the voting decision	Baillie Gifford opposed the resolution due to inappropriate use of discretion to increase vesting outcome of the long-term incentive award. Baillie Gifford believe the use of discretion should be carefully evaluated and used to support and prioritise the long-term prospects of the business. Baillie Gifford are not convinced that this use of discretion meets that bar.	Baillie Gifford opposed the ratification of the auditor because of the length of tenure. Baillie Gifford believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls.	Baillie Gifford supported a shareholder resolution requesting a board diversity and qualifications matrix because they believe that shareholders would benefit from individualised information on the skills and qualifications of directors, as well as disclosure on climate-related skills and qualifications.
Outcome of the vote	Pass	Pass	Fail
Implications of the outcome	Baillie Gifford will communicate the rationale for voting against the remuneration report. Baillie Gifford supported the forward-looking remuneration policy at the meeting, and anticipate supporting the remuneration report next year, but will continue to monitor for further use of discretion.	Baillie Gifford have abstained on the election of the auditor at Consolidated Edison for the last two years due to lengthy tenure (the external auditor has been in place since 1938). Although not a regulatory requirement in the U.S., Baillie Gifford consider it best practice for the auditor to rotate at least every 20 years in order to maintain independence. Baillie Gifford have informed the company of their expectation but have not received a response. This year Baillie Gifford decided to escalate their voting action to oppose the auditor and will continue to share their expectations with the company.	Baillie Gifford will communicate their decision to support the shareholder resolution with the company and will explain their rationale for doing so. They will monitor for any similar disclosure the company may choose to institute, as although the resolution failed to secure enough support to pass, it did receive support from more than 48% of shareholders.
Criteria on which the vote is considered "significant"	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because Baillie Gifford opposed the election of auditors.	This resolution is significant because it was submitted by shareholders and received greater than 20% support.

Ruffer Absolute Return Fund

	Vote 1	Vote 2	Vote 3
Company name	BP Plc	Swire Pacific Limited	ArcelorMittal

	Vote 1	Vote 2	Vote 3
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.5%	0.3%	0.3%
Summary of the resolution	Environmental - Approve Shareholder Resolution on Climate Change Targets	Governance - shareholders rights	Governance - Reelect Lakshmi Niwas Mittal as Director
How the manager voted	Against	For	For
Rationale for the voting decision	BP has, in Ruffer's opinion, outlined a credible transition strategy with appropriate decarbonisation targets, that reflects demand for oil & gas energy whilst allocating capital to the 'transition growth engines'. Whilst BP has tightened & reduced its 2025 and 2030 aims, it has retained its 2050 net zero target. Further, it has committed additional capital to the transition which BP argues is uncertain and therefore, locking into one, fixed strategy (through investing or divesting the wrong asset) is not in the best interests of generating shareholder value. The Follow This resolution asks for "BP to align its 2030 Scope 3 aims with Paris". Firstly, this would require a wholesale shift in strategy, which Ruffer believe is unnecessary given the Board has opined on net zero and published a strategy. Secondly, BP in isolation has no control over what global scope 3 emissions should be under Paris, given the world continues to emit carbon and one would expect the Scope 3 reduction will have to be steeper the nearer society gets to 2030. This burden is unfair, particularly in the context of BP making long-cycle investment decisions.	Ruffer voted in favour of the resolution to 'Approve Share Purchase Agreement and Related Transactions', supporting management, but against ISS. Ruffer believe that approving the sale of the US Coca-Cola bottling business to the controlling shareholder is in the best interests of the minority shareholders of Swire Pacific, such as themselves. The strategic rationale for this deal is in-line with the stated strategy of the company to focus geographically on operations in China and SE Asia. Furthermore, this transaction realises significant hidden value for shareholders and this value is being returned to Ruffer in the form of a special dividend. Lastly, given the higher-interest rate environment, it makes sense to lower the leverage employed in the business, which a part of the proceeds of this transaction is going to be put towards. ISS abstained from the vote, and Ruffer believe their analysis is poor and lacking thoughtfulness. Nevertheless, Ruffer's key issue with the deal is on the price paid, and how this has been communicated to shareholders. On balance Ruffer felt comfortable with this transaction and have raised their concerns in a meeting with management (the Chairman and the Finance Director) Considering all these, Ruffer concluded that receiving a fair price while unlocking latent	Ruffer are voting in line with the company but against ISS. ISS has flagged that Mr. Mittal is overboarded. He has two other boards, Aperam (Which is a spin out from ArcelorMittal), where he is a non-exec Chairman and Goldman Sachs Group, where he is a non-executive. Ruffer do not believe that Mr Mittal's commitments are excessive and believe that he is still able to commit the time required for his role at the company. As a result, Ruffer are voting for his re-election.

	Vote 1	Vote 2	Vote 3
		value within the conglomerate and refocussing the company on its core strengths in China and SE Asia are sufficient reasons for Ruffer to support this transaction. Ruffer had a robust in-person discussion with the Chairman and the Finance Director where they raised the issue of the price paid for the transaction. Considering all these, Ruffer concluded that receiving a fair price while unlocking latent value within the conglomerate and refocussing the company on its core strengths in China and SE Asia are sufficient reasons for Ruffer to support this transaction.	
Outcome of the vote	Fail	Pass	Pass
Implications of the outcome	Ruffer will monitor how the company progresses and improves over time, and continue to support credible energy transition strategies and initiatives which are currently in place, and will vote against shareholder resolutions which deem as unnecessary.	Ruffer will monitor the business transaction and the way it is being executed, and will engage accordingly, if they feel the need to.	Ruffer will continue to engage with the company on governance issues and feedback any concerns on the representation on the Board.
Criteria on which the vote is considered "significant"	Ruffer believe this vote will be of particular interest to their clients. Ruffer support management in their effort to provide clean, reliable and affordable energy.	Ruffer believe this vote will be of particular interest to their clients. Ruffer analyse and support companies in conducting business transactions that are in the best interest of shareholders.	Votes on the election of directors for material holdings are significant. These arise after discussion between members of the research, portfolio management and responsible investment teams

Fund level engagement

The Trustees consider it a part of their investment manager's role to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan.

The table below provides a summary of the engagement activities undertaken by each manager over the year to 31 December 2023 for the relevant funds, with examples provided on the following page. The information set out below has been prepared by the Investment Consultant on the Trustees' behalf, based on information reported by the manager.

Engagement activities are limited for the Plan's LDI funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	LGIM	LGIM	LGIM	Baillie Gifford	Ruffer
Fund name	LGIM Global Equity Fixed Weight 50:50 GBP Hedged	Diversified Fund	Absolute Return Bond Fund	Multi Asset Growth Fund	Absolute Return Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	933	1,874	143	35	29
Number of engagements undertaken at a firm level in the year	2,486	2,486	2,486	744	71

Examples of engagement activity undertaken over the year to 31 December 2023

LGIM (firm-level example)

Nucor Corp - decarbonisation

Under LGIM's Climate Impact Pledge, they select c.100 'dial-mover' companies for in-depth engagement, using the qualitative framework set out in their sector-specific guides.18 'Dial-mover' companies are chosen on their size and potential to galvanise action in their sectors, reflecting our aim of driving market-level improvements.

LGIM were pleased to see that Nucor, one of the 'dial-mover' companies, has announced a net-zero emissions commitment with interim targets and a published decarbonisation plan. Nucor is the largest steel producer in the US and among the top 20 in the world; steel is pivotal to the energy transition, being central to the auto industry and renewable energy infrastructure.

This is a significant step: while LGIM recognise that corporate decisions are the product of a range of factors, the engagements under the Climate Impact Pledge are based upon sector-specific guides and 'red lines', which include a commitment to net-zero operational emissions. LGIM had voted against the Chair of the company in its 2023 AGM for failing to meet this 'red line' at the time, so the announcement of the company's commitment, interim targets and plan are very welcome.

This not the first time that LGIM have seen a commitment from the company after voting against its Chair: in 2021, LGIM voted against the Chair for a lack of emissions reduction targets and the subsequent year, the company set them, meaning they received no sanctions from LGIM in 2022.LGIM look forward to continuing their engagement with Nucor as part of the Climate Impact Pledge in 2024. LGIM's next Climate Impact Pledge update will be published in June 2024, at which time they will report on voting and divestment sanctions, and any reinstatement decisions.

Baillie Gifford, Multi Asset Growth Fund

China Longyuan

Baillie Gifford met with management to discuss three climate-related matters. Firstly, Baillie Gifford reached out to commend the company for its first-time Scope 1 and 2 emissions disclosure in its 2022 ESG Report, increasing transparency. Secondly, Baillie Gifford engaged to request details around Scope 3 emissions disclosure timelines. And thirdly, they urged the company to make a formal commitment to an emissions reduction target to increase accountability.

Decarbonising the power sector is vital in achieving global climate ambitions, and while this is the largest wind power operator in the world, the company still emitted >10 million tons of carbon dioxide from its coal power generation during 2022. The discussion centred around the company's environmental disclosure and what its intentions are regarding the establishment of emission reduction targets. Although this meeting confirmed to Baillie Gifford that the company seems to be making progress in improving its environmental management and disclosure, this is slow and short-term in nature, given the environmental materiality of its operations. To complement the short-term coal disposal commitment (three years from IPO in 2022), Baillie Gifford would have also expected more to have been done to link the company's strategic ambitions to be a wind power leader and China's overarching and longer-term net zero ambition. Nevertheless, the coal disposal will be a game-changer for the company's emissions (itself a question of when rather than if).

Ruffer (firm-level example)

Equinor

Equinor is a Norwegian state-owned energy company developing oil, gas, wind and solar energy in more than 30 countries. Given their focus on climate change and the energy transition, Ruffer contacted Equinor to refresh a dialogue on the company's energy transition plan and its various components.

The main aims of the initial meeting were to understand – specifically from a low emissions perspective – the company's criteria for expanding its operations internationally and to gauge its progress and opportunities in the renewables and low-carbon solutions space. While Equinor produces oil at a much lower carbon intensity per barrel than the industry average, Ruffer expressed their concerns that increased exploration and production can more than offset a low-carbon intensity, resulting in higher carbon emissions in absolute terms. The company's overall production is projected to peak in 2026, before returning to current levels in 2030. But Equinor reiterated that, by moving away from volume towards value targets, it could focus on a low cost, low emissions, cash generating portfolio. Importantly, Equinor's experience with electrification, offshore floating wind and carbon capture and storage puts it in good stead when expanding these technologies internationally.

Equinor has continued to expand in both renewables and low-carbon solutions. Ruffer have seen tangible progress in offshore floating wind, with a new lease awarded outside the North Sea region. Ruffer will follow how the company manages to leverage such value creation opportunities. Similarly, Equinor's deal with Yara, a European agrichemicals company, to transport and store part of Yara's operational emissions off the coast of Norway highlights a milestone for the company's carbon capture and storage ambitions. Whilst noting that government subsidies are still crucial, Ruffer are encouraged by Equinor's commitment to building out these operations. Ruffer will continue to engage with Equinor on their progress towards the Climate Action 100+ Net - Zero Benchmark.