

Appendix 1

The Heinz UK Pension Plan ('the Plan')

Implementation Statement for the period covering 1 January 2024 to 31 December 2024.

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations ("the Regulations"). The Regulations, amongst other things, require that the Trustees outline how they have ensured that the policies and objectives set out in the Statement of Investment Principles ("SIP") have been adhered to over the course of the year.

This implementation statement covers the period 1 January 2024 to 31 December 2024.

The statement sets out the actions undertaken by the Trustees, the service providers and the investment managers, to implement the policies as set out in the SIP. The statement also includes voting and engagement information that has been gathered from the investment managers.

Changes to the SIP over the year to 31 December 2024

The Trustees, with assistance from their investment advisors, undertook a review of the Plan's investment strategy in 2022. The review concluded on the 13th of May 2022 and the Trustees were satisfied that the default arrangement remained appropriate and in line with their investment objectives. No further investment strategy review was carried out in 2024.

The SIP was updated in September 2024 to include a section on the Trustees' policies in relation to illiquid investments.

The most recent SIP can be found online at: <https://www.kraftheinzpension.co.uk/useful-documents>.

The Trustees received written advice from Aon, the Trustees' investment advisor, when making these changes. The SIP is reviewed at least every three years or when there have been significant changes to the investment strategy.

Meeting the objectives and policies as set out in the SIP

We have considered the broad themes these objectives and policies fit into and have noted these below together with an explanation of how these objectives have been met and policies adhered to over the course of the year.

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Investment strategy and reporting

Policies in relation to investment strategy

The Trustees have continued to provide members with a broad range of investment choices over the year. The members can choose between two approaches to invest their pension account:

- Lifestyle approach via target date funds i.e. the Aon Managed Retirement Pathway Fund series. These are strategies offered to members targeting different benefits at retirement, namely drawdown (the default arrangement), annuity purchase and cash. These funds will automatically adjust their investment strategy as they progress towards a target retirement date.
- Self-select approach – A range of 'objective and asset-based funds' are made available for members to invest in. These are suitable for members who want some control over their investments but also some assistance in terms of the broad objective they aim to achieve.

The Trustees regularly monitored the strategies and funds available to members to ensure they were meeting their objectives and that their inclusion in the fund range continued to be appropriate.

Over the first six months of 2024, several strategy changes were made by Aon Investments Limited ("AIL") in its role as the Plan's investment manager. The introduction of government bonds within the Aon Managed Retirement Pathway Funds was brought forward to 15 years before retirement, from the existing 7.5 years before retirement. There was also an increased allocation to short-dated inflation linked government bonds at and in-retirement, as well as a reduction in exposure to corporate bonds and equities. These changes were made as a result of the increased yields available on these asset classes. The corporate bond portfolio was also adjusted to wholly invest in actively managed funds.

A number of changes to the Aon Managed Global Equity Fund were made throughout the year. The allocation to multi-factor equities was decreased and the exposure to Climate Transition equities was increased. These changes were implemented throughout 2024, and the revised allocation was completed by 28 February 2025. These changes are expected to reduce performance variability versus the benchmark while maintaining the existing expected return / risk profile long-term.

A number of changes to the Aon Managed Diversified (Multi) Asset Fund were made throughout the year. This is an actively managed fund and relatively frequent changes to the underlying asset allocation are in line with the Trustees' expectations of AIL's management of the Fund:

- In Q1, there was an increase in the exposure to risk assets via an increased allocation to equities and corporate bonds, particularly Climate Transition equities, and a corresponding reduced allocation to cash. Also in Q1, the gold allocation in the fund was replaced with government bonds and asset backed securities, following the closure of the Invesco Physical Gold Fund.
- In Q2, an allocation to gold was introduced through the BlackRock Physical Gold Fund, with the aim of providing further diversification. This was accompanied by an increase in the cash allocation, and a decrease in the equity and corporate and government bond allocations.
- In Q3, the allocation to asset-backed securities and absolute return bonds was increased to take advantage of the continuing high interest rates. The allocation to gold was also increased, while the allocation to multi-asset credit and cash were reduced.
- In Q4, the allocation to absolute return bonds was increased, while the allocation to asset-backed securities was reduced.

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Investment strategy and reporting (continued)

Policies in relation to investment strategy (continued)

Within the Aon Managed Diversified Multi-Strategy Bond Fund, during Q4 the allocation to absolute return bonds was increased, while the allocation to asset-backed securities was reduced.

Within the Aon Managed Global Impact Fund, there was an increase in the investment in the Mirova Global Sustainable Equity Fund, with a corresponding reduction in the Nordea Global Climate and Environment Fund over Q1 2024.

Policies in relation to monitoring the Plan investments

The Trustees receive quarterly investment monitoring reports from AIL. The investment reports include performance reporting on all of the investment funds relative to their respective benchmarks or targets and performance commentary which highlights key factors affecting the performance of the funds over the quarter. Any issues with the managers' investment strategy, including the ESG assessment, are flagged. The ESG assessment analyses the Plan's underlying managers in respect of their environmental, social and governance efforts.

The quarterly monitoring reports contain any updates on the changes to the funds made by AIL over the quarter, as well as ESG ratings as detailed under the 'Responsible Investment' section below.

Long term inflation linked return targets for Aon Managed Retirement Pathway Funds (the default arrangement) were introduced at the start of 2021. The long-term return targets are set with the aim to provide a return in excess of price inflation, as measured by the Consumer Price Index (CPI), to help members achieve an adequate level of income in retirement. These long-term return targets will be reviewed regularly by the investment manager and the Trustees.

Policies in relation to appointing new managers

AIL will only appoint underlying asset managers who are 'Buy' rated and achieve a minimum standard or rating for ESG from Aon's manager research team. Aon's ESG ratings are designed to assess whether asset managers integrate responsible investment, and more specifically ESG considerations, into their investment decision making process and ongoing stewardship. Additionally, AIL meets with each of the underlying managers on a six-monthly basis to carry out a session focused on ESG. These ESG focused sessions cover both how each manager incorporates ESG considerations into their investment process and their stewardship activity.

As part of Aon's investment manager research process, the governing documentation of investments is reviewed for appropriateness before a 'Buy' rating is given.

Policies in relation to engagement with investment managers

AIL considers the suitability of the Plan's underlying investment managers on an ongoing basis, on behalf of the Trustees. Aon's investment manager research team meets the underlying managers on a regular basis to assess any changes in the investment staff, investment process, risk management and other manager evaluation factors to ascertain whether the overall rating assigned to the fund remains appropriate and the manager remains suitable to manage the assets.

The awareness regarding potential ESG risks in the investment strategy is also considered as part of monitoring and assigning the overall rating to the fund. Specifically, and as noted above, AIL meets with each of the underlying managers on a six-monthly basis to carry out a session focused on ESG.

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Responsible investment

Policies relating to Responsible Investment, ESG and Investment Stewardship

The Trustees agreed a formal ESG and Stewardship policy for the Plan in 2021 which was reviewed again in 2024. The Trustees agreed to keep their existing policy in place.

An ESG rating for each investment manager is reported by Aon in the quarterly monitoring reports. These ratings take into account the fund management team's awareness of all known and potentially financially material ESG risks in the investment strategy, and the steps that have been taken by the manager to identify, evaluate and potentially mitigate these risks across the portfolio.

The Trustees also considered Responsible Investment policies and integration of these policies in the investment processes for all prospective managers over the year.

The Trustees have also collected the voting and engagement records of each of their investment managers over the year. These are reported in detail later in this Statement.

The Trustees reviewed the Kraft Heinz corporate sustainability policy to ensure that the policies included in the SIP were broadly aligned with the overall policies and beliefs of the company.

To date, no managers have found to be falling significantly short of the standards expected by the Trustees in this area.

Cost and performance

Policies in relation to Plan charges

The Trustees review the cost and charge data on a quarterly basis.

The Trustees receive a quarterly 'Investment Charging Summary' from AIL. These reports are available to view on the Plan's website: <https://www.kraftheinzpension.co.uk/useful-documents>.

The Trustees, with assistance from Aon, collated all of the member borne cost and charges data for the Plan year and these are published in the Annual Chair's Statement.

Having reviewed the member borne costs, Aon has confirmed that they appear appropriate for each fund.

Summary

The Trustees are of the opinion that they have successfully carried out all of the policies and actions set out in the Plan's SIP. The Trustees are also satisfied that the Plan's investment managers are exercising their voting rights and engaging with investee companies where appropriate (see following sections for detail). The Trustees will continue to monitor the asset managers' activities in these areas.

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Investment manager voting and engagement activity

Aon Investments Limited

As the fiduciary investment manager, AIL has collated the required (and relevant) information on voting behaviour and engagement activity from the underlying asset managers. The details are summarised within this note.

Our conclusion

Based on the activity AIL has undertaken during the year, we believe our policies have been implemented effectively.

In our view, all of AIL’s material DC investment managers were able to disclose good evidence of voting and engagement activity. We conclude that the activities completed by our managers align with our stewardship priorities, and that our voting policy has been implemented effectively in practice.


How voting and engagement policies have been followed

The Heinz UK Pension Plan is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Plan’s investment manager, AIL. AIL invests the Plan’s assets in a range of funds including the default strategy and wider range of self-select funds. AIL selects the underlying asset managers to achieve the objective of each fund on behalf of the Trustees.

We reviewed the stewardship activity carried out over the year by the material investment managers, and in our view, all were able to disclose adequate evidence of voting and / or engagement activity. More information on the stewardship activity carried out by AIL and the underlying investment managers can be found in the following sections.

Over the reporting year, we monitored the performance of the Plan’s investments on a quarterly basis and received updates on important issues from our investment manager. In particular, we received quarterly Environment Social Governance (‘ESG’) ratings from Aon for the funds the Plan is invested in (where available).

Each year, we review the voting and engagement policies of the Plan’s investment manager to ensure they align with our own policies for the Plan and help us to achieve them.



What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

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Investment manager voting and engagement activity (continued)

Our Action Plan

Based on the work we have done, we have decided to take the following steps over the next 12 months:

Continue engagement with AIL as our investment manager, and their focus on:

- **Transparency and Reporting:** provision of detailed reporting on AIL's engagement activities including how they have engaged on its stewardship priorities.
- **Integration of ESG Factors:** consideration of how ESG factors are integrated into AIL's stewardship activities.
- **Active Engagement:** we look for a continual increase in active engagement with companies. This includes proactively reaching out to company management, discussing concerns, suggesting improvements and holding companies accountable.
- **Active collaboration:** by joining forces, investors can collectively address systemic issues and encourage positive change across industries.

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AIL's engagement activity

Engagement is when an investor communicates with current (or potential) investee companies or asset managers (as owners of companies) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

Over the year, AIL held several engagement meetings with many of the underlying asset managers in their strategies. AIL discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the asset managers. AIL provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios. It is AIL's expectation that the asset managers will engage directly with their investee companies to create the necessary improvements.

To support these engagements, AIL maintains a set of stewardship priorities which align with its responsible investing beliefs. These priorities focus on investment stewardship, climate change transition and nature loss, combatting modern slavery, and Artificial Intelligence. A summary of these priorities is provided in Appendix 1.

Over the year, AIL engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations. This builds on work carried out over the previous few years:

- In 2021, AIL committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).
- AIL also successfully renewed its signatory status to the 2020 UK Stewardship Code. This is a voluntary code established by the Financial Reporting Council that sets high standards on stewardship for asset owners, investment managers and service providers.

Furthermore, AIL continues to develop internal capabilities to integrate ESG data from multiple vendors and platforms through a "Quantamental" dashboard that provides in-depth ESG analytics for over 8,000 liquid strategies. AIL intends to expand this analysis in future to include advanced metrics for implied temperature rise, Sustainable Financial Disclosure Regulation's (SFDR's) Principal Adverse Indicators (PAIs) and Diversity Equity and Inclusion factors.

Underlying managers' voting activity – Equity, real asset and multi-asset funds

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock.

We believe that good asset stewardship is in members' best interests by promoting best practice and encouraging investee companies to access opportunities, manage risk appropriately and protect shareholders' interests.

Understanding and monitoring the stewardship that investment managers practice in relation to the Plan's investments is an important factor in deciding whether a manager remains the right choice for the arrangement.

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Underlying managers' voting activity – Equity, real asset and multi-asset funds (continued)

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Plan's equity-owning investment managers to responsibly exercise their voting rights. Over the year, the material equity, real asset and multi-asset investments held by the Plan within the default strategies and wider self-select fund range were as set out on the following pages:



Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

Aon Managed Retirement Pathway Funds (default strategy)

Aon Managed Fund	Underlying managers (equity-owning only)
Aon Managed Initial Growth Phase Fund ^{1,2}	Equities: LGIM, UBS Listed real assets: Blackrock, LGIM
Aon Managed Global Impact Fund	Baillie Gifford, Mirova, Nordea
Aon Managed Diversified Asset Fund	LGIM, UBS

Source: Aon Investments Limited

1. Please note managers shown only reflect the proportion of the portfolio with equity-voting rights
2. Invests 90% in the Aon Managed Global Equity Fund and 10% in Aon Managed Property and Infrastructure Fund.

Self-select fund range

Aon Managed Fund	Underlying managers (equity-owning only)
Aon Managed Global Equity Fund	LGIM, UBS
Aon Managed Global Impact Fund	Baillie Gifford, Mirova, Nordea
Aon Managed Property and Infrastructure	BlackRock, LGIM (listed real assets)
Aon Managed Diversified Multi Asset Fund	LGIM, UBS
BlackRock UK Equity Index Fund	BlackRock
BlackRock World (ex UK) Equity Index Fund	BlackRock
BlackRock Emerging Market Equity Index Fund	BlackRock
HSBC Islamic Equity Index Fund	HSBC

Source: Aon Investments Limited

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Voting statistics: Aon Managed Retirement Pathway Funds

The table below shows the voting statistics for each of the material funds held within the default strategy, the Aon Managed Retirement Pathway Funds, for the year to 31 December 2024. We also provide a combined view for a member 30 years from retirement and at retirement, invested in the Aon Managed Retirement Pathway Funds.

Aon Managed Retirement Pathway Funds

Aon Managed Funds	% Proposals Voted	% votes cast against management	% votes abstained
Aon Managed Initial Growth Phase Fund ^{1,2}	95.4%	13.3%	0.4%
Aon Managed Global Impact Fund	97.0%	18.8%	0.8%
Aon Managed Diversified Asset Fund ¹	95.6%	14.9%	0.5%
Aon Managed Retirement Pathway Funds			
<i>Member 30 years from retirement¹</i>	95.5%	13.8%	0.5%
<i>Member at retirement¹</i>	95.6%	14.4%	0.5%

Source: Aon Investments Limited, Underlying investment managers: BlackRock, LGIM, UBS, Baillie Gifford, Mirova, Nordea.

¹ Please note figures shown only reflect the proportion of the portfolio with equity-voting rights.

² Invests 90% in the Aon Managed Global Equity Fund and 10% in Aon Managed Property and Infrastructure Fund.

Voting statistics: self-select funds

The table below shows the voting statistics for each of the material funds offered within the wider self-select fund range available for the year to 31 December 2024.

Self-select fund range

Aon managed funds	% Proposals Voted	% votes cast against management	% votes abstained
Aon Managed Global Equity Fund	95.0%	13.8%	0.4%
Aon Managed Global Impact Fund	97.0%	18.8%	0.8%
Aon Managed Property and Infrastructure Fund ¹	98.2%	8.8%	0.5%
Aon Managed Diversified Multi Asset Fund ¹	95.6%	14.9%	0.5%
BlackRock UK Equity Index Fund	96.8%	2.0%	1.4%
BlackRock World ex-UK Equity Index Fund	93.7%	4.9%	0.3%
BlackRock Emerging Market Index Fund	99.2%	8.5%	3.4%
HSBC Islamic Global Equity Index Fund	94.5%	22.2%	0.1%

Source: Aon Investments Limited, underlying investment managers (BlackRock, LGIM, UBS, Nordea, Mirova, Baillie Gifford, HSBC).

¹Please note figures shown only reflect the proportion of the portfolio with equity-voting rights.

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Use of proxy voting advisors

Many investment managers use proxy voting advisors to help them fulfil their stewardship duties. Proxy voting advisors provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations. The table below describes how the Plan's underlying investment managers use proxy voting advisors.

Manager	Description of use of proxy voting
Baillie Gifford	Whilst Baillie Gifford is cognisant of proxy advisers' voting recommendations (Institutional Shareholder Services (ISS) and Glass Lewis), it does not delegate or outsource any of its stewardship activities or follow or rely upon ISS's recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house. Baillie Gifford votes in line with its in-house policy and not with the proxy voting providers' policies. Baillie Gifford also has specialist proxy advisors in the Chinese and Indian markets to provide it with more nuanced market specific information.
BlackRock	BlackRock uses ISS's electronic platform to execute its vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock works with proxy research firms who apply its proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform its voting decision.
HSBC	HSBC uses the leading voting research and platform provider ISS to assist with the global application of its voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene HSBC's guidelines. HSBC reviews voting policy recommendations according to the scale of its overall holdings. The bulk of holdings are voted in line with the recommendation based on HSBC's guidelines.
LGIM	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM, who does not outsource any part of the strategic decisions. To ensure LGIM's proxy provider votes in accordance with LGIM's position on ESG, LGIM has put in place a custom voting policy with specific voting instructions.
Mirova	Mirova uses ISS as a voting platform for related services such as ballot collecting, vote processing and record keeping. Mirova subscribes to the ISS research, however its recommendation is not prescriptive or determinative to Mirova's voting decisions. All voting decisions are made by Mirova in accordance with its Voting Policy.
Nordea	In general, every vote Nordea cast is considered individually on the background of its bespoke voting policy, which Nordea have developed in-house based on its own principles. Nordea's proxy voting is supported by ISS to facilitate voting, execution and to provide analytic input.
UBS	UBS Asset Management retains the services of ISS for the physical exercise of voting rights and for supporting voting research. UBS retain full discretion when determining how to vote at shareholder meetings.

Source: Aon Investments Limited. Underlying managers

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Significant voting activity

To illustrate the voting activity being carried out on our behalf, we asked AIL to provide a selection of what they and the underlying investment managers consider to be the most significant votes in relation to the Plan’s funds. A sample of these significant votes can be found in Appendix 2 for the main funds used within the default strategy.











































Engagement

Engagement is when an investor communicates with current (or potential) investee companies or asset managers (as owners of companies) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

Below we provide examples of some of the engagement activity carried out by the underlying investment managers for the default strategy. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e., is not necessarily specific to the underlying fund invested in by the Aon Managed Retirement Pathway Funds.

All managers engaged across all key themes. We would expect this to be the case, as all underlying managers meet AIL’s required standards for consideration of ESG factors / risks.

Themes engaged on at a firm level

Underlying manager	Environment - Climate Risk Management	Environment - Biodiversity	Governance - Remuneration	Governance - Board Effectiveness	Governance - Corporate Strategy	Social - Human Capital	Social - Risks & Opportunities
BlackRock							
LGIM							
UBS							
Baillie Gifford							
Mirova							
Nordea							





























Source: Aon Investment Limited, Underlying managers (BlackRock, LGIM, UBS, Baillie Gifford, Mirova, Nordea).

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Engagement Activity – Self Select Fund range

Below we provide examples of some of the engagement activity carried out by the underlying investment managers for the most material self-select funds. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e., is not necessarily specific to the underlying fund.

Themes engaged on at a firm level

Underlying manager	Environment - Climate Risk Management	Environment - Biodiversity	Governance - Remuneration	Governance - Board Effectiveness	Governance - Corporate Strategy	Social - Human Capital	Social - Risks & Opportunities
BlackRock							
UBS							
LGIM							
HSBC							

Source: Aon Investment Limited, Underlying managers (HSBC, LGIM).

We also provide examples of specific engagement activity carried out by the most material underlying investment managers below.

BlackRock engagement with Shell

BlackRock

Has had extensive, multiyear engagements with Shell where they have discussed, among other topics, board composition, corporate strategy, and the board’s oversight of, and management’s approach to, climate-related risks and opportunities. At Shell’s May 2024 AGM, BlackRock highlighted two key votes.

- The first was a management proposal to approve Shell’s Energy Transition Strategy. BlackRock supported this proposal, as in its view Shell has provided and continues to provide a clear assessment of its plans to manage material climate-related risks and opportunities and continues to demonstrate progress against its Energy Transition Strategy. Additionally, BlackRock notes that Shell has made several adjustments to its climate-related targets due to developments in energy markets and the strategic shift in its power business. For example, Shell retired its 2035 net carbon intensity (NCI) target of 45% because of uncertainty regarding the pace of the global low-carbon transition.
- The second was a shareholder proposal which advised Shell to align its medium-term emissions reduction targets covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement. BlackRock did not support this shareholder proposal because, in their view, the proposal is overly prescriptive. It is the role of company leadership to set and implement the company’s strategy. In BlackRock’s assessment, support of this proposal would contradict the energy transition strategy 2024 that has been put forward by the board and management team.

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Engagement Activity – Self Select Fund range (continued)

UBS engagement with BHP Group

Over 2024, **UBS** engaged with BHP Group. They met three times in 2024, primarily focusing on the release of their new Climate Transition Action Plan (CTAP).

BHP Group are a leading producer of iron ore, copper and metallurgical coal. The company is a significant carbon emitter but a key enabler of the energy transition. In 2024, UBS met with the CFO, participated in their group investor engagement sessions and had bilateral discussions with BHP Group in the lead up to and after the release of the new CTAP.

The focus was on Scope 3 emissions, physical risk and scenario analysis use for transition planning. UBS requested further disclosure on BHP's Scope 3 emissions, given 97% of their total emissions are Scope 3. UBS also requested an update on Paris alignment scenarios the company uses to set strategies. Due to the speed of the transition expected to influence the demand for key minerals, and be a key driver of the sector's performance, UBS believed this is important to report on.

In their new CTAP, BHP enhanced their Scope 3 strategy disclosures, including their view on steelmaking technologies and pipeline of abatement projects. BHP have also provided an initial framing of their assessment process on physical risk and further assessments are underway. UBS will continue to engage in 2025, focusing on the lack of clarity on outlook for metallurgical coal and the scale of expected use of offsets in BHP's net zero target.

LGIM engagement with Walmart

Over 2024, **LGIM** engaged with Walmart Inc, an American multinational retail corporation that operates a chain of hypermarkets, discount department stores and grocery stores.

LGIM contacted Walmart in relation to establishing a company compensation policy of paying a living wage and have been engaging with them on the topic for several years. In 2023, LGIM launched their income inequality engagement campaign, targeting 15 of the largest global food retailers, to which Walmart is a part of. LGIM voted for this policy, where they have been encouraging Walmart to establish a compensation policy that ensures employees earn a living wage, to reduce potential negative financial impacts that stem from low worker morale, poor health or high staff turnover.

Over 2024, LGIM held a series of engagement meetings with Walmart. While the company has improved on some areas, in terms of training opportunities, the company does not have a policy yet in place and still pays employees under the living wage. LGIM continue to engage with Walmart and publicly advocate their position on this issue.

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Engagement Activity - Non-equities

While equity managers may have more direct influence on the companies they invest in, managers investing in asset classes such as fixed income and alternatives are also increasingly influential in their ability to encourage positive change.

The Aon Managed Retirement Pathway Funds and several of the wider self-select fund options include investment in non-equity assets. This might include fixed income, cash, direct property and alternatives such as gold, depending on the fund. Below we describe examples of engagement from these asset classes.

Fixed Income

The Aon Managed Retirement Pathway Funds and several of the wider self-select fund options invested in fixed income and cash over the year. The above engagement activities carried out by LGIM, BlackRock and UBS are also applicable for the multi asset and fixed income funds.

Direct Property

The Aon Managed Retirement Pathway Funds and the Aon Managed Property and Infrastructure Fund invested in direct property over the year.

The Trustees appreciate that engagement activities within the direct property fund may be limited in comparison to other asset classes, such as equity and fixed income. Nonetheless, the Trustees expect ESG engagement to be integrated in their managers' investment approaches.

The direct property manager, Threadneedle, is a signatory of the UN PRI and has adopted ESG policies across its investments. Threadneedle takes an approach to real estate whereby it strives to understand the risks posed within the asset class and focus on mitigating these during the lifecycle of the projects. This can be done through property management, refurbishment, building improvements and strategic asset management.

Key topics of engagement during the year include the energy efficiency of assets, low carbon development opportunities, tenant engagement and Net Zero initiatives.

Commodities

The Aon Managed Retirement Pathway Funds and Aon Managed Diversified Multi Asset Fund invested in commodities over the year.

The BlackRock Gold Fund provides exposure to gold via an exchange traded fund (ETF). The main ESG consideration relates to how the gold was sourced. The London Bullion Market Association (LBMA) has established standards on the trade of gold and silver; these specify the requirements that refiners, and their gold, must meet to be accepted for trading. The refiners that source the gold that backs the BlackRock fund align to those standards.

Data limitations

At the time of writing, LGIM and BlackRock did provide fund level engagement information but not in line with the best practice industry standard Investment Consultants Sustainability Working Group ("ICSWG") reporting guide.

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Appendix 1 – AIL Stewardship priorities

Our investment manager has set stewardship priorities that align with its beliefs in relation to responsible investment.

These stewardship priorities focus on climate change, nature loss and modern slavery, as well as ensuring strong governance. These priorities have been identified as financially material risks that have the potential to impact the value of members' investments.

To support these priorities, AIL has an Engagement Programme through which it engages identifies and analyses key areas for focus and engages with the underlying managers in turn. In turn, AIL also has a set of expectations for its underlying investment managers.

A summary of these priorities is set out below:

Investment Stewardship

It is important to be clear on the principles and expectations of good investment stewardship across asset classes. AIL does this through its ongoing engagements with the underlying investment managers and is looking for strong alignment between an investment manager's responsible investment policies and its engagement activity and voting decisions. AIL believes that transparency of engagement and voting activity is key and actively engages with its investment managers to promote transparency. AIL also engages with its underlying investment managers to promote the Principles for Responsible Investment, adherence to the UK Stewardship Code as well as following industry best practice.

Climate transition and nature loss

Climate change and the progress towards net zero is a key area of focus for AIL, recognising the impact of climate-related risks on the value of members savings over the long term. AIL looks for alignment between an investment manager's climate risk policy (or stated ambitions) and its responsible investment approach including engagement activities and voting decisions around climate. AIL engages with its underlying investment managers to monitor progress in the underlying investee companies towards setting targets and ensuring meaningful action as a result.

AIL also believes that biodiversity risk, including nature loss, is intrinsically linked to climate-change and hence the value of members' savings over the long term. AIL collaborated with the Cambridge Institute of Sustainability Leadership to create a framework for assessing nature-related risks including a due diligence questionnaire to measure progress on goals. AIL engages with its underlying investment managers to understand the risks in this area and ensure appropriate action is taken as a result.

Combatting modern slavery

AIL is a signatory of the 'Find It, Fix It, Prevent It' initiative which aims to combat modern slavery through engagement with investee companies, participation in shaping public policy and in developing better modern slavery data. Through this initiative AIL aims to raise awareness of the role investors can play in addressing modern slavery in supply chains. AIL engages with its investment managers to understand where any potential exposure exists and ensure appropriate action is taken as a result.

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Appendix 1 – AIL Stewardship priorities (continued)

Artificial Intelligence

Artificial Intelligence (AI) is a nascent industry and its real-world applications are yet to be fully explored. AIL has made AI an important topic for its engagement programme and endeavours to be at the forefront of this fast-developing area. AIL believes in the responsible use of AI. AIL will promote transparency and explainability and appropriate guards against bias. Where AIL believes AI is suitable to adopt, AIL will endeavour to ensure this is done in a way that incorporates responsible design, and that the energy intensive nature of AI balances appropriately with Net Zero commitments.

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Appendix 2 – Significant Voting Examples

In the table below are some significant vote examples provided by the underlying investment managers appointed by AIL and used within the default strategy, the Aon Managed Retirement Pathway Funds.

We consider a significant vote to be one which the manager deems to be significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

LGIM	Company name	ConocoPhillips
	Date of vote	May 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.4%
	Summary of the resolution	Resolution 5: Revisit Pay Incentives for GHG Emission Reductions
	How the manager voted	Against management
	Did the manager communicate its intent 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.
	Rationale for the voting decision	Shareholder Resolution - Climate change: A vote against is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
	Outcome of the vote	Fail
	Implications of the outcome	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have the vote is considered significant?	Pre-declaration and High-Profile Meeting: This shareholder resolution is considered significant due to misleading proposals (shareholder resolutions brought with the aim of undermining positive environmental, social and governance behaviours) are a relatively recent phenomenon. Such proposals often appear to be supportive of, for example, the energy transition but, when considered in depth, are actually designed to promote anti-climate change views.

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Appendix 2 – Significant Voting Examples (continued)

BlackRock	Company name	Phillips 66
	Date of vote	May 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	Not provided
	Summary of the resolution	Report on Impacts of a Significant Reduction in Virgin Plastic Demand
	How the manager voted	Votes against resolution
	Did the manager communicate its intent to the company ahead of the vote?	BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting. BlackRock publishes its voting guidelines to help clients and companies understand its thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant. BlackRock's voting decisions reflect its analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and our active investment colleagues.
	Rationale for the voting decision	The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures
	Outcome of the vote	Fail
	Implications of the outcome	BlackRock's approach to corporate governance and stewardship is explained in its Global Principles. BlackRock's Global Principles describe its philosophy on stewardship, including how it monitors and engages with companies. These high-level principles are the framework for BlackRock's more detailed, market-specific voting guidelines. BlackRock do not see engagement as one conversation. BlackRock has ongoing direct dialogue with companies to explain its views and how it evaluates their actions on relevant ESG issues over time. Where BlackRock has concerns that are not addressed by these conversations, it may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, BlackRock monitors developments and assesses whether the company has addressed its concerns.
	On which criteria have the vote is considered significant?	BIS periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions it expect will be of particular interest to clients.

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Appendix 2 – Significant Voting Examples (continued)

UBS	Company name	Shell Plc
	Date of vote	May 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	Not disclosed
	Summary of the resolution	Align Medium-Term Emissions Reduction Targets Covering the GHG Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement
	How the manager voted	Against management
	Did the manager communicate its intent to the company ahead of the vote?	No
	Rationale for the voting decision	Shell has made incremental progress in this area since the previous year (when UBS supported the proposal), including introducing an absolute Scope 3 emissions target for their oil products. While the new target is not perfect, it is a sign of momentum in a positive direction, specifically in the area the proponent is focused on in this request. In UBS's view it would be necessary for the company to divest a higher level of assets than is currently in investor interests in order to achieve an expanded Scope 3 target. With a say on climate vote on the ballot, UBS feels the best way to voice its concerns on the overall transition plan in our vote is on this resolution. This allows UBS to evaluate the entire plan and recognize where Shell may fall short of our expectations, rather than in one specific component of the plan, which this proposal focuses on.
	Outcome of the vote	Fail
	Implications of the outcome	UBS will continue to engage with the Company as part of its Climate Engagement Programme.
	On which criteria have the vote is considered significant?	Aggregate percentage of votes in support of shareholder resolution exceeded 18% of votes cast.

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Appendix 2 – Significant Voting Examples (continued)

Nordea	Company name	ANSYS, Inc.
	Date of vote	June 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.9%
	Summary of the resolution	Provide Right to Call a Special Meeting
	How the manager voted	Against Management, For the shareholder proposal
	Did the manager communicate its intent to the company ahead of the vote?	No
	Rationale for the voting decision	Nordea thinks that each company should grant holders of a specific proportion of the outstanding shares of a company, no greater than ten per cent (10%), the right to convene a meeting of shareholders for the purpose of transacting the legitimate business of the company. In Nordea's view, this shareholder proposal requesting the company to take the necessary steps to afford shareholders the right to call a special meeting, would improve shareholder rights.
	Outcome of the vote	Pass
	Implications of the outcome	The protection of shareholder rights is an essential requirement for minority shareholders in a listed company. Nordea will continue to vote for such proposals in other relevant companies.
	On which criteria have the vote is considered significant?	Significant votes are those that are severely against Nordea's principles, and where Nordea feels it needs to enact change in the company.

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Appendix 2 – Significant Voting Examples (continued)

Mirova	Company name	Unilever Plc
	Date of vote	May 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	<i>Not provided</i>
	Summary of the resolution	Say on Climate
	How the manager voted	Supported management
	Did the manager communicate its intent to the company ahead of the vote?	Yes
	Rationale for the voting decision	The sector dedicated ESG analyst thoroughly reviewed the proposed transition plan. While there is room for improvement noted, on balance, Mirova was satisfied with the current proposal.
	Outcome of the vote	Pass
	Implications of the outcome	While concerns remain regarding governance of sustainability, Mirova will leverage engagement to push the company to further improve the climate transition target setting and provide meaningful progress reports.
	On which criteria have the vote is considered significant?	Relevant to engagement strategy regarding governance of sustainability.

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Appendix 2 – Significant Voting Examples (continued)

Baillie Gifford	Company name	Markel Group Inc.
	Date of vote	May 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.9%
	Summary of the resolution	Shareholder Resolution - Climate
	How the manager voted	Supported management
	Did the manager communicate its intent to the company ahead of the vote?	No
	Rationale for the voting decision	Baillie Gifford supported the shareholder proposal regarding disclosure of GHG emissions from the company's underwriting, insuring, and investment activities, considering the potential materiality of climate risk to the company's core activities. Baillie Gifford believes there is scope for improvement of carbon reporting and that this data will enable the company and its shareholders to better understand the company's climate risks.
	Outcome of the vote	Fail
	Implications of the outcome	Baillie Gifford will continue the engagement with the Company on this issue.
	On which criteria have the vote is considered significant?	This resolution is significant because it was submitted by shareholders and received greater than 20% support.

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Appendix 2 – Significant Voting Examples (continued)

HSBC	Company name	Apple Inc.
	Date of vote	February 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	7.9%
	Summary of the resolution	Report on Median Gender/Racial Pay Gap
	How the manager voted	Against management
	Did the manager communicate its intent to the company ahead of the vote?	No
	Rationale for the voting decision	HSBC believes that the proposal would contribute to improving gender inequality.
	Outcome of the vote	Fail
	Implications of the outcome	HSBC will likely vote against a similar proposal should it see insufficient improvements.
	On which criteria have the vote is considered significant?	The company has a significant weight in the portfolio and HSBC voted against management.

Source: Aon Investments Limited, Underlying Managers (LGIM, BlackRock, UBS, Baillie Gifford, Mirova, Nordea, HSBC).