DHL Group Retirement Plan

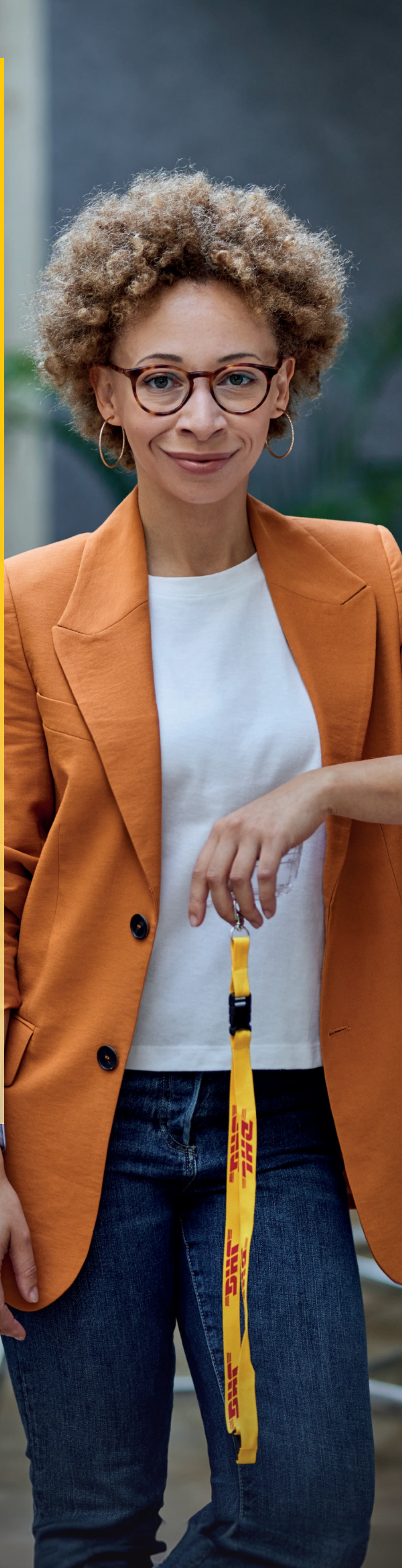
DC Section

IMPLEMENTATION STATEMENT

PLAN YEAR ENDING 31 MARCH 2024

This Implementation Statement is a legally required document, prepared by the Trustee in relation to the DC Section of the DHL Group Retirement Plan ('the Plan'). It covers the Plan year ending 31 March 2024. It sets out the policies and principles for how investments are governed and any changes over the year as well as details of voting activity from the investment managers, LGIM and HSBC. Given the low value of the legacy Additional Voluntary Contributions ('AVCs') arrangements, outside the main DC Section funds managed by LGIM and HSBC, this statement has not included voting policies in respect of those arrangements.

What's inside



SECTION 1: INTRODUCTION

This Implementation Statement has been prepared by the Trustee in relation to the DC Section of the DHL Group Retirement Plan ('the Plan'). It covers the Plan year ending 31 March 2024. It should be read in conjunction with the annual Implementation Statement in relation to the DB Sections of the Plan.

The purpose of this Implementation Statement is to:

- summarise how the Statement of Investment Principles ('SIP') for the DC Section has been followed during the year
- outline any changes that have been made to the SIP
- provide a description of voting behaviour (including the most significant votes made on behalf of the Trustee) and any use of a proxy voter during the year.

The SIP is a legally-required document produced by the Trustee. The DC Section's SIP sets out the principles the Trustee follows in order to provide a suitable range of investment funds for the Plan's members.

The latest version of the DC Section's SIP can be found online **here**.

In summary, the Trustee believes that:

a) the policies outlined in the DC Section's SIP have been adhered to over the Plan year

b) the investment managers' activities aligned with the Trustee's policies on Environmental, Social and Corporate Governance ('ESG') issues, engagement and voting.

Having monitored the investment managers over the year and reviewed the voting information outlined in this statement, the Trustee is satisfied that the managers are acting in the members' best interest and are effective stewards of the DC Section assets.

The Trustee will continue to monitor the investment managers' stewardship practices on an ongoing basis.

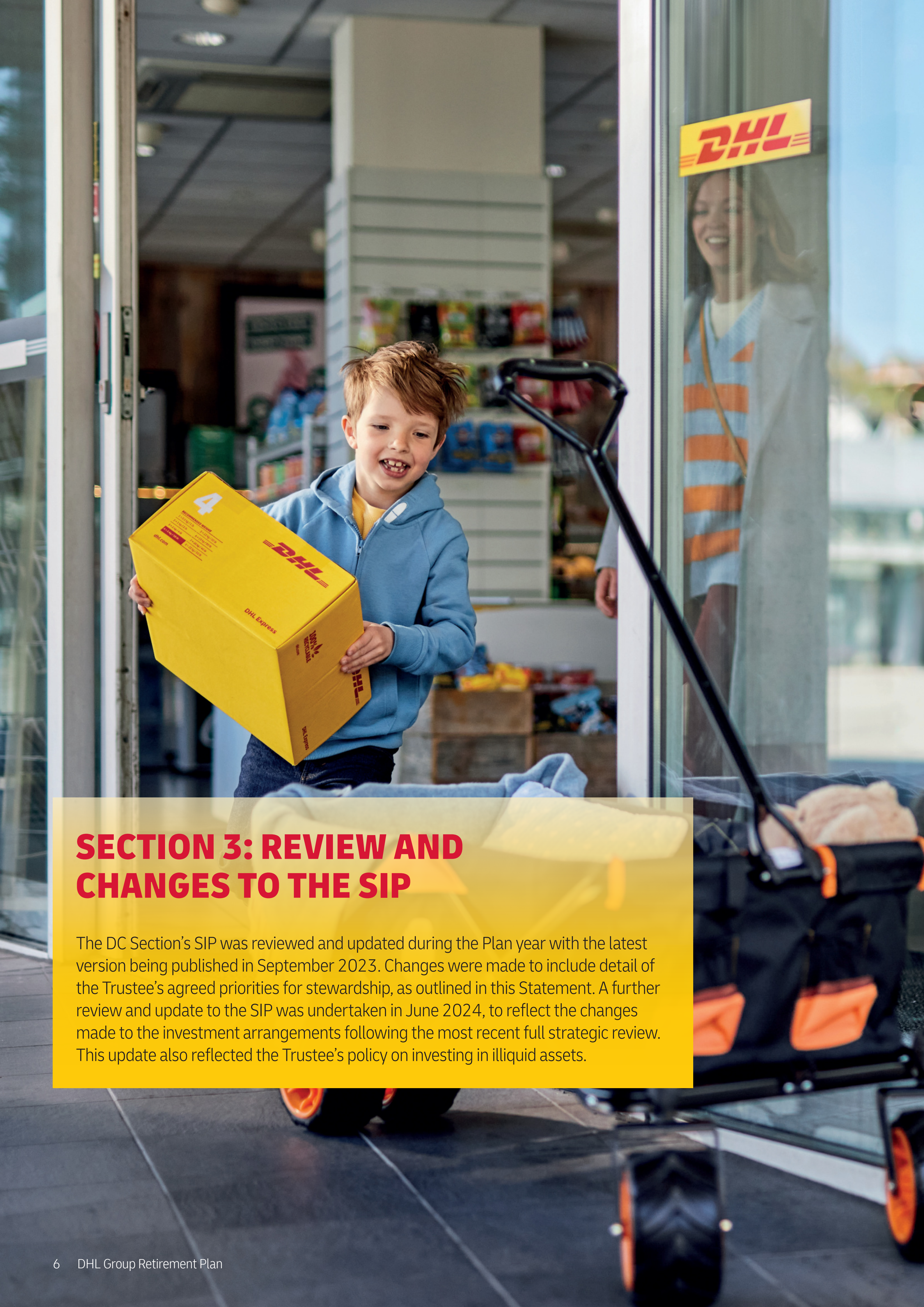
SECTION 2: THE DC SECTION'S STATEMENT OF INVESTMENT PRINCIPLES ('SIP')

The table outlines the policies in the SIP for the DC Section of the Plan and explains how these have been implemented for the Plan year to 31 March 2024.

	Policy	In the Plan year to 31 March 2024
Governance	The Trustee delegates specific responsibilities for the running of the Plan to several committees. The committee that oversees the DC Section is the DC Committee (DCC).	Over the year under review, the DCC has performed its duties in line with the activities set out in its terms of reference, which are reviewed every year.
Investment objective and strategy	The Trustee's objective is to provide members with a range of investments, through funds where the money from individual members is 'pooled together'. Together with new contributions from members and the employers, its objective is that this will provide an account at retirement with which to pay the retirement benefits selected by members. The Trustee has a policy of obtaining ongoing advice on whether those funds continue to be satisfactory and that the LGIM investment platform continues to be appropriate.	During the last Plan year, the DCC, with advice from its DC investment adviser, completed its latest full review of the investment strategy. This included reviewing all Lifestyle and Freestyle fund options. As a result of the review a number of changes have been made to the investment arrangements: • All Lifestyle options have been re-designed and now include a 100% allocation to the DHL Global Equities fund, until a member is 25 years from their Target Retirement Age ('TRA'). • The DHL Lifestyle – Drawdown is now the default for new members who do not make an investment choice. • Members in the previous default – the DHL Lifestyle – Annuity – and who were more than 5 years from their Target Retirement Date, were automatically switched to the new default. Members closer to retirement were kept in the DHL Lifestyle – Annuity. • The allocations to Corporate Bonds within the DHL Diversified Growth, DHL Diversified Cautious and DHL UK Corporate Bonds funds have been switched to the LGIM Future World Corporate Bond funds (using GBP, EUR and USD funds). The changes to the Lifestyle options were implemented at the end of March 2024 and the changes to the corporate bond allocations were made in early April 2024. A review of the performance and suitability of the L&G investment platform was undertaken in 2022, with assistance from the DC investment adviser. The review considered how L&G were performing across a range of different areas (their business, administration, investment and communication). Overall L&G scored highly on most of the criteria assessed. A further review will be carried out later in 2024.
Responsible investment and sustainability	The Trustee considers long-term sustainability to be an important and relevant issue to consider throughout the investment process and ESG issues, including climate change, are financially material. The Trustee believes that the impact of and potential responses to, climate change, creates a material financial risk. The Trustee also believes that companies should adjust their business strategies to align with the 2015 Paris Agreement on Climate Change.	The way in which ESG issues are integrated into individual funds is delegated to the investment managers. However, the Trustee monitors the managers' approach to sustainable investment and takes account of ESG in its selection of the funds available to members. For example, equity, corporate bond and fixed interest funds used within both the Lifestyle strategies and Freestyle fund range explicitly take account of the approach that companies take to ESG issues. During the last Plan year, in November 2023, the DCC, with its DC investment adviser, undertook a sustainable investment review of the DC investment managers. The review included a focus on how investment managers bring ESG considerations into their portfolio and investment process, where relevant to the specific fund. Generally, the managers scored well across the areas considered in the review.

	Policy	In the Plan year to 31 March 2024
Responsible investment and sustainability (continued)		During the year the Trustee also continued its work in relation to legislation concerning the risks and opportunities associated with climate change. This has included: • Publishing its second Climate Report in September 2023, outlining the Trustee's policies for identifying, measuring and monitoring climate-related risks and opportunities and the potential impact of climate change on the DC funds. • Monitoring of key climate-related metrics for the DC funds. The Trustee's next Climate Report will be published in September 2024 and will be available on the Plan website.
Stewardship	The Trustee delegates responsibility for stewardship activities (including voting rights and engagement activities) related to investments to the investment managers. The Trustee expects the Plan's investment managers to take on engagement activity with companies that includes: • their performance; • their strategy; • their capital structure and the management of actual and potential conflicts of interest of investee companies and other stakeholders; and • the ESG impact of underlying holdings. The Trustee periodically reviews engagement and stewardship activity undertaken by their investment managers to ensure that the policies outlined above are being met. Where practicable the Trustee will seek to avoid investment in controversial weapons (defined as weapons which are contrary to international treaties or conventions).	As part of the sustainable investment review, the DCC reviewed the investment managers' stewardship policies and practices. This included reviewing information on how managers had exercised their voting rights over the year, the key engagements managers had undertaken with investee companies over the year and any changes to managers' voting and stewardship policies over the year. Overall, the DCC was satisfied that both LGIM and HSBC are exercising an appropriate degree of stewardship over the companies in which the funds invest. A number of the Lifestyle and Freestyle options have explicit controversial weapons exclusions. As part of the sustainable investment review, the DCC was able to confirm there was no exposure in any of the DC Section funds to underlying companies linked with the manufacturing or distribution of controversial weapons. The Trustee has agreed a number of areas of stewardship which it considers to be priorities for its investment managers to be undertaking, within the categories of ESG: **E –** Climate Change: For example engaging with companies on their climate change policies and/or voting on resolutions requiring publication of a business strategy that is aligned with the Paris Agreement on climate change. **S –** Modern Slavery: For example engaging with companies on their modern slavery policies, especially with regards to their supply chains. **G –** Diversity and Inclusion: For example voting against a director appointment where the board is not sufficiently gender diverse. Examples of engagements and significant votes undertaken by the managers in these areas are included within this Statement.
Members' views on non-financial matters	The Trustee believes that ESG issues span both financial and non-financial matters. Through a process of surveys and other member feedback, it is clear that members view these matters as important. These views are taken into consideration in the range of Lifestyle strategies and Freestyle funds offered.	The Trustee undertakes regular surveys of the membership to assess their views on a variety of aspects of the Plan, including ESG and sustainability. The latest survey, carried out through December 2023 to February 2024 noted that 56% of members who responded to the survey believe the Trustee supports sustainable investment (e.g. investing in funds that support ESG). The Trustee will consider what more it can do to ensure members are aware of the Trustee's commitment in this area.

	Policy	In the Plan year to 31 March 2024
Performance objectives	Whilst the Trustee is not involved in each investment manager's day-to-day method of operation and therefore cannot directly influence whether the target performance of investments are reached, it will regularly assess performance and review the managers that are appointed.	The DCC reviewed the funds' performance on a quarterly basis throughout the year under review. The DHL Diversified Growth fund and the DHL Diversified Cautious fund have long-term performance objectives that aim to beat inflation, measured by the Consumer Prices Index (CPI). This aims to ensure that the value of the money invested increases at a higher rate than the cost of goods and services. The target for the DHL Diversified Growth fund is CPI + 4% per year and the DHL Diversified Cautious fund is CPI + 2% per year. Both funds have underperformed their target objectives over the 5 years to 31 March 2024. This was as a result of negative returns from both equities and bonds during 2022 and a significant increase in inflation over the same period. More recent performance has been stronger, for example the DHL Diversified Growth fund outperformed CPI by 11.6% over the 12 months to 31 March 2024 and the DHL Diversified Cautious Fund outperformed CPI by 6.1% over the same period. All other funds are managed passively, meaning they aim to broadly match the performance of a 'benchmark index'. An index is used to represent the performance across a group of investments that share similar characteristics – e.g. a similar geography or industry. All funds have delivered performance in line with expectations over the Plan year and longer term.
Relationship with investment managers	Alignment between an investment manager's management of the Plan's assets and the Trustee's policies and objectives is a fundamental part of the appointment process of an investment manager. The Trustee and DCC, through its regular monitoring of investment funds and managers, will seek to ensure that all funds are being managed in a way that is consistent with the Trustee's policies. Should this appear not to be the case, the Trustee will engage with the investment manager to understand the reasons for this and whether closer alignment can be achieved. If this is not possible, the Trustee may look to replace the fund. The Trustee reviews the costs incurred in managing the Plan's assets, including the costs associated with portfolio turnover, on an annual basis.	During the Plan year, the latest SIP was sent to all investment managers, who were asked to highlight if there is any misalignment between the Trustee's policies and how they manage the Plan's assets. No concerns were raised. The DCC reviewed the DC Section funds' ongoing costs and charges through a report provided by its DC investment adviser. This report included details of incurred fees over the year, including underlying fees such as transaction costs, which involved portfolio turnover costs. The DCC has received information on the levels of turnover within each of the underlying funds during the Plan year, i.e. turnover through the buying and selling of investments that make up those funds. Overall, the DCC is comfortable that the levels appear appropriate, in the context of the way each fund is managed and the total levels of cashflow in and out of each fund during the year.
Risk management	The Trustee recognises a range of specific investment risks with reference to the Plan's DC arrangements which are summarised in the SIP.	The Trustee monitored and managed these risks during the Plan year through the: 1. Regular reporting received by its investment advisers and managers. 2. Range of Lifestyle strategies offered to members, which are designed to help members address different investment risks they face throughout their membership of the Plan. 3. Range of Freestyle funds offered, which enable members to consider the risks that are most relevant to them and to invest to mitigate these. The Trustee was comfortable no changes to the investment strategy or options were required during the Plan year.



SECTION 3: REVIEW AND CHANGES TO THE SIP

The DC Section's SIP was reviewed and updated during the Plan year with the latest version being published in September 2023. Changes were made to include detail of the Trustee's agreed priorities for stewardship, as outlined in this Statement. A further review and update to the SIP was undertaken in June 2024, to reflect the changes made to the investment arrangements following the most recent full strategic review. This update also reflected the Trustee's policy on investing in illiquid assets.

SECTION 4: VOTING INFORMATION AND SIGNIFICANT VOTES

The DC Section offers a diverse range of asset classes through the Lifestyle strategies and the Freestyle fund range. The information in this section focusses on the equity investments within underlying funds of both Lifestyle and Freestyle options which have voting rights. This means shareholders have the ability to vote on decisions made by a company, like substantial changes to its operations, mergers and acquisitions, the make-up of the board of directors or their incentives.

Because these equity investments are in 'pooled funds' and are managed on a passive basis, the voting entitlements in these funds lie with the investment managers.

This section sets out the voting activities of LGIM and HSBC over the year including details of LGIM and HSBC's use of proxy voting services. Overall the Trustee is satisfied that the managers' voting policies and practices are consistent with the Trustee's policies and expectations.

LGIM

LGIM has a voting policy which determines its approach to voting and the principles to be followed when voting on investors' behalf. LGIM uses voting proxy advisers which aid the decision-making when voting. Details are summarised opposite:

LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decision. To ensure their proxy provider votes are in accordance with its position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.

LGIM uses ISS recommendations to augment its own research and its ESG assessment tools. LGIM's internal investment stewardship team also uses research reports of Institutional Voting Information Services ('IVIS') to supplement the research reports received from ISS for UK companies when making specific voting decisions.

LGIM has a custom voting policy in place which includes specific voting instructions which apply to all markets globally. LGIM has the ability to override any vote decisions which are based on this custom voting policy if it sees fit.

HSBC

HSBC has global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills. Details are summarised opposite:

HSBC uses 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 HSBC's overall holdings. The majority of holdings are voted in line with the recommendation based on HSBC's guidelines.

The tables on the following pages set out the key voting activity of the Plan's equity investment managers on behalf of the Trustee over the year. We note that whilst the Trustee has informed the managers about their priorities for investment stewardship it does not consider that it has influence over how the manager has voted and does not notify the managers of what it would consider to be a significant vote in advance of that vote being carried out. All voting decisions are left to the discretion of the investment managers.

Manager and strategy	Exposure within the DC Section funds	Voting activity	
LGIM Future World Global Equity Index Fund	DHL Diversified Growth fund DHL Diversified Cautious fund DHL Global Equities fund	Number of resolutions on which manager was eligible to vote:	52,212
		Percentage of eligible votes cast:	100%
		Percentage of votes with management:	80%
		Percentage of votes against management:	19%
		Percentage of votes abstained or withheld:	1%
		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:	11%
LGIM Future World UK Equity Index Fund	DHL UK Equities fund	Number of resolutions on which manager was eligible to vote:	6310
		Percentage of eligible votes cast:	100%
		Percentage of votes with management:	94%
		Percentage of votes against management:	6%
		Percentage of votes abstained or withheld:	0%
		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:	4%
LGIM Future World Emerging Markets Equity Index Fund	DHL Emerging Markets Equities fund	Number of resolutions on which manager was eligible to vote:	25,715
		Percentage of eligible votes cast:	100%
		Percentage of votes with management:	80%
		Percentage of votes against management:	20%
		Percentage of votes abstained or withheld:	0%
		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:	8%

Manager and strategy	Exposure within the DC Section funds	Voting activity	
LGIM Infrastructure Equity MFG Fund	DHL Diversified Growth fund DHL Diversified Cautious fund	Number of resolutions on which manager was eligible to vote:	**1,238**
		Percentage of eligible votes cast:	**100%**
		Percentage of votes with management:	**74.1%**
		Percentage of votes against management:	**25.9%**
		Percentage of votes abstained or withheld:	**0%**
		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:	**21.2%**
LGIM Heitman Global Prime Property Securities Fund	DHL Diversified Growth fund DHL Diversified Cautious fund DHL Global Property fund	Number of resolutions on which manager was eligible to vote:	**879**
		Percentage of eligible votes cast:	**100%**
		Percentage of votes with management:	**80%**
		Percentage of votes against management:	**20%**
		Percentage of votes abstained or withheld:	**0%**
		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:	**16%**
HSBC Islamic Global Equity Index Fund	DHL Shariah Global Equities fund	Number of resolutions on which manager was eligible to vote:	**1,702**
		Percentage of eligible votes cast:	**96%**
		Percentage of votes with management:	**76%**
		Percentage of votes against management:	**23%**
		Percentage of votes abstained or withheld:	**0%**
		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:	**0%**

The table set out over the following pages outlines a number of significant votes cast by the investment managers in respect of the funds the Plan invests in. These were deemed to be significant as they relate to the Trustee's agreed priorities for investment stewardship, as outlined on page 4. The managers have also provided commentary as to why they believe the vote is important and significant and these are included in the table. The Trustee agrees with the managers' assessment of significance, based on its own priorities and policies.

Most significant votes cast		Coverage in portfolio
Company:	**JP Morgan Chase & Co.**	**LGIM Future World Global Equity Index Fund**
Meeting Date:	**16 May 2023**	
Approximate size of fund's holding as at the date of the vote (as % of portfolio):	**0.9%**	
Type of resolution:	**Shareholder**	
Stewardship theme:	**Climate Change**	
Resolution:	**Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets**	
Company Management Recommendation:	**Against**	
How LGIM voted:	**For. LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting**	
Outcome of vote:	**The resolution did not pass**	

Commentary: LGIM generally support resolutions that seek additional disclosures on how companies aim to manage their financing activities in line with their published targets.

LGIM will continue to engage with the company and monitor progress.

Most significant votes cast		Coverage in portfolio
Company:	**Royal Bank of Canada**	**LGIM Future World Global Equity Index Fund**
Meeting Date:	**5 April 2023**	
Approximate size of fund's holding as at the date of the vote (as % of portfolio):	**0.3%**	
Type of resolution:	**Shareholder**	
Stewardship theme:	**Climate Change**	
Resolution:	**Report on 2030 Absolute Greenhouse Gas Reduction Goals**	
Company Management Recommendation:	**Against**	
How LGIM voted:	**For. LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting**	
Outcome of vote:	**The resolution did not pass**	

Commentary: LGIM have embedded Scope 3 disclosure and targets into their minimum expectations for all sectors, with specific detail within individual sectors. LGIM generally support resolutions that seek to expand and improve the level of emissions disclosure and target-setting for the high-emitting sectors in line with energy scenario analysis and market expectations of absolute reductions over time.

Most significant votes cast		Coverage in portfolio
Company:	**Amazon Inc**	**LGIM Future World Global Equity Index Fund**
Meeting Date:	**24 May 2024**	
Approximate size of fund's holding as at the date of the vote (as % of portfolio):	**1.3%**	
Type of resolution:	**Shareholder**	
Stewardship theme:	**Diversity, Equity and Inclusion (DE&I)**	
Resolution:	**Report on Median and Adjusted Gender/ Racial Pay Gaps**	
Company Management Recommendation:	**Against**	
How LGIM voted:	**For. LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting**	
Outcome of vote:	**The resolution did not pass**	

Commentary: LGIM expect 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.

Most significant votes cast		Coverage in portfolio
Company:	**Alphabet Inc**	**LGIM Future World Global Equity Index Fund**
Meeting Date:	**2 June 2023**	
Approximate size of fund's holding as at the date of the vote (as % of portfolio):	**1.0%**	
Type of resolution:	**Shareholder**	
Stewardship theme:	**Diversity, Equity and Inclusion (DE&I)**	
Resolution:	**Approve Recapitalization Plan for all Stock to Have One-vote per Share**	
Company Management Recommendation:	**Against**	
How LGIM voted:	**For. LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting**	
Outcome of vote:	**The resolution did not pass**	

Commentary: LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.

Most significant votes cast		Coverage in portfolio
Company:	**Shell Plc**	**LGIM Future World UK Equity Index Fund**
Meeting Date:	**23 May 2023**	
Approximate size of fund's holding as at the date of the vote (as % of portfolio):	**4.6%**	
Type of resolution:	**Management**	
Stewardship theme:	**Climate Change**	
Resolution:	**Approve the Shell Energy Transition Progress**	
Company Management Recommendation:	**For**	
How LGIM voted:	**Against. LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting**	
Outcome of vote:	**The resolution passed**	

Commentary: 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 alignment with the 1.5°C trajectory.

LGIM continue to undertake extensive engagement with Shell on its climate transition plans.

Most significant votes cast		Coverage in portfolio
Company:	**Ping An Insurance (Group) Co of China Ltd**	**LGIM Future World Emerging Markets Equity Index Fund**
Meeting Date:	**12 May 2023**	
Approximate size of fund's holding as at the date of the vote (as % of portfolio):	**0.88%**	
Type of resolution:	**Management**	
Stewardship theme:	**Climate Change**	
Resolution:	**Approve Report of the Board of Directors**	
Company Management Recommendation:	**For**	
How LGIM voted:	**Against. LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting**	
Outcome of vote:	**The resolution passed**	

Commentary: Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.

LGIM will continue to engage with the company and monitor progress.

Most significant votes cast		Coverage in portfolio
Company:	Apple Inc	HSBC Islamic Global Equity Index Fund
Meeting Date:	28 February 2024	
Approximate size of fund's holding as at the date of the vote (as % of portfolio):	7.9%	
Type of resolution:	Shareholder	
Stewardship theme:	Diversity, Equity and Inclusion ('DE&I')	
Resolution:	Report on Median Gender/Racial Pay Gap	
Company Management Recommendation:	For	
How LGIM voted:	Against. HSBC did not communicate their intention to vote against resolution to the company in advance of the vote.	
Outcome of vote:	The resolution did not pass	

Commentary: HSBC believe that the proposal would contribute to improving gender inequality. HSBC will likely vote against a similar proposal should there be insufficient improvements.

Most significant votes cast		Coverage in portfolio
Company:	Visa Inc	HSBC Islamic Global Equity Index Fund
Meeting Date:	23 January 2024	
Approximate size of fund's holding as at the date of the vote (as % of portfolio):	1.6%	
Type of resolution:	Management	
Stewardship theme:	DE&I	
Resolution:	Advisory Vote to Ratify Named Executive Officers' Compensation	
Company Management Recommendation:	For	
How LGIM voted:	Against. HSBC did not communicate their intention to vote against resolution to the company in advance of the vote	
Outcome of vote:	The resolution passed	

Commentary: HSBC consider the quantum of the total pay excessive, with insufficient links between pay and performance.

HSBC will likely vote against a similar proposal should there be insufficient improvements.

SECTION 5: ENGAGEMENT ACTIVITY

As noted in Section 3 of this Statement, the Trustee is satisfied that LGIM and HSBC are exercising an appropriate degree of stewardship over the companies in which the funds invest. This section sets out examples of corporate engagements undertaken by the managers over the year, covering the stewardship priorities set out in this Statement.

LGIM	
Sector of company engaged with: Consumer	
Topic	**Social:** Income inequality - living wage (DE&I)
Rationale	Company A is the second largest supermarket in the UK. Although Company A is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living-wage accredited. Ensuring companies take account of the ‘employee voice’ and that they are treating employees fairly in terms of pay and diversity and inclusion is an important aspect of LGIM’s stewardship activities. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, LGIM’s work on income inequality and expectations of companies regarding the living wage have acquired a new level of urgency. LGIM advocate that all companies should ensure that they are paying their employees a living wage and that this requirement should also be extended to all firms with whom they do business across their Tier 1 and ideally Tier 2, supply chains, expecting the company board to challenge decisions to pay employees less than the living wage. LGIM ask the remuneration committee, when considering remuneration for executive directors, to consider the remuneration policy adopted for all employees. In the midst of the pandemic, LGIM went a step further by tightening its criteria of bonus payments to executives at companies where COVID-19 had resulted in mass employee lay-offs and the company had claimed financial assistance (such as participating in government-supported furlough schemes) in order to remain a going concern.
Actions	LGIM engaged initially with the company’s [then] CEO in 2016 about this issue and by 2021, Company A was paying a real living wage to all employees, except those in outer London. LGIM joined forces with ShareAction to try to encourage the company to change its policy for outer London workers. As these engagements failed to deliver change, LGIM then joined ShareAction in co-filing a shareholder resolution in Q1 2022, asking the company to become a living wage accredited employer. This escalation succeeded insofar as, in April 2022, Company A moved all its London-based employees to the real living wage, which demonstrates Company A’s values as a responsible employer. However, the shareholder resolution was not withdrawn and remained on the 2022 AGM agenda because, despite this expansion of the real living wage to more employees, contractors, i.e. cleaners and security guards, operating within Company A’s operations were excluded from the uplift. In the previous four years LGIM have held eight company meetings with Company A, with the continued main focus on social inequality, whilst also covering broader topics such as capital management and biodiversity. LGIM met with the CEO as well as the Chairman. In 2023, LGIM led its own campaign on income inequality where LGIM targeted the largest global food retailers. Company A is one of the 15 companies LGIM are targeting. The campaign has as a consequence, a vote against the Chairman if LGIM’s minimum requirements are not met by the time of their AGM in 2025.
Outcomes and next steps	Since LGIM co-filed the shareholder resolution in 2022, Company A has made three further pay increases to its directly employed workers, harmonising inner and outer London pay and is now paying the real living wage to its employees, as well as extending free food to workers well into 2023. LGIM welcome these actions which demonstrate the value the board places on its workforce. LGIM continue to engage with Company A and have asked the board to collaborate with other key industry stakeholders to bring about a living wage for contracted staff. LGIM are continuing to engage with Company A, both individually and collaboratively with the ShareAction Good Work Coalition and have met with them a number of times during 2023 as part of the living wage campaign, directed at 15 large global supermarkets. In addition, to setting objectives regarding the living wage for these companies’ own operations, LGIM also expect them to take certain actions regarding their Tier 1 and ideally Tier 2 supply chains. The milestones set under this campaign relate to expectations that, should they be achieved, they would not only improve wages for significant numbers of low-paid workers around the world but also, given these companies’ influence in their respective countries and supply chains, LGIM would expect there to be a knock-on impact as competitors and smaller peers would then be compelled to follow suit. LGIM would hope that this would improve the livelihood of thousands of workers and their families and also boost GDP.

LGIM	
Sector of company engaged with: Energy	
Topic	**Environment:** Climate Change (Climate Impact Pledge)
Rationale	As one of the world's largest public oil and gas companies, LGIM believe that Company B's climate policies, actions, disclosures and net zero transition plans have the potential for significant influence across the industry as a whole and particularly in the US. LGIM believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under the Climate Impact Pledge, LGIM publish their minimum expectations for companies in 20 climate-critical sectors, selecting roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector and in supply chains. LGIM's in-depth engagement is focused on helping companies meet these minimum expectations and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag minimum expectations may be subject to voting sanctions and/or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions). LGIMs Climate Impact Pledge 'red lines' for the oil & gas sector are: • Has the company committed to net-zero operational emissions? • Does the company have time-bound methane reduction/zero flaring targets? • Does the company disclose its climate-related lobbying activities, including trade association memberships and explain the action it will take if these are not aligned with a 1.5°C scenario?
Actions	LGIM have been engaging with Company B since 2016 and have, over time, participated willingly in discussions and meetings. Under LGIM's Climate Impact Pledge, they identified a number of initial areas for concern, namely: lack of Scope 3 emissions disclosures (embedded in sold products); lack of integration or a comprehensive net zero commitment; lack of ambition in operational reductions targets and; lack of disclosure of climate lobbying activities. Levels of individual typically engaged with include the Head of Sustainability, Lead Independent Director, the Company Secretary and Investors Relations. LGIM's regular engagements with Company B have focused on expectations under the Climate Impact Pledge, as well as several other material issues for the company, including capital allocation and business resiliency. The improvements made have not so far been sufficient, which has resulted in escalations. The first escalation was to vote against the re-election of the Chair, from 2019, in line with the Climate Impact Pledge sanctions. Subsequently, in the absence of further improvements, LGIM placed Company B on the Climate Impact Pledge divestment list (for applicable LGIM funds) in 2021, as they considered the steps taken by the company so far to be insufficient for a firm of its scale and stature. Nevertheless, engagement continues. In terms of further voting activity, in 2022 LGIM supported two climate-related shareholder resolutions (i.e. voted against management recommendation) at Exxon's AGM, reflecting a continued wish for the company to take sufficient action on climate change in line with minimum expectations. Further escalating engagement, LGIM and CBIS co-filed a shareholder resolution at Exxon's 2023 AGM, requesting the company to disclose the quantitative impact of the IEA NZ scenario on all asset retirement obligations ('AROs'). The proposal was centred around disclosure and seeking greater insight into the potential costs associated with the decommissioning of Exxon's assets in the event of an accelerated energy transition. LGIM believe this is a fundamental level of information for the company's shareholders, in light of growing investor concerns about AROs in a carbon constrained future and that it is financially material information. The proposal received over 16% support from shareholders which, although lower than liked, demonstrates an increasing recognition of the importance of this issue for investors.

LGIM	
Sector of company engaged with: Energy	
Outcomes and next steps	Since 2021, LGIM have seen notable improvements from Company B regarding key engagement requests, including disclosure of Scope 3 emissions, a 'net zero by 2050' commitment (for Scopes 1 and 2 emissions), the setting of interim operational emissions reduction targets, improved disclosure of lobbying activities and more recently, the commitment made by the company to join the leading global partnership on methane, OGMP 2.0. However, there are still key areas that require further improvements, including inclusion of Scope 3 emissions targets, further quantifiable disclosure of business resiliency and asset retirement obligations across relevant scenarios, capital allocation and improving the level of ambition regarding interim targets. The company remains on LGIM's divestment list (for relevant funds), but engagement with them continues. LGIM's next steps will continue their direct engagements with the company under the Climate Impact Pledge and separately, to better understand and challenge Exxon on their approach to the energy transition, where financial material issues such as disclosure the potential costs to retire their long-lived assets and decarbonisation levers being some of the key discussion points. LGIM will also be engaging with proxy advisors and fellow investors to better understand their voting rationale. LGIM were pleased to see progress from the company in terms of joining the Oil and Gas Methane Partnership ('OGMP') 2.0 – the flagship oil and gas reporting and mitigation programme on methane, of which many global oil and gas companies, including BP and Shell, are already members. LGIM have been working closely and collaboratively with EDF to raise awareness of the issue (letters, meetings, public statements) and applying pressure on oil and gas companies to join the OGMP initiative since 2021 – Exxon being one of them, through direct engagements with the company under the Climate Impact Pledge. Exxon had demonstrated reluctance, previously, to sign up to the OGMP and LGIM voted in favour of a shareholder resolution tabled at its 2023 AGM, requesting that the company produce a report on methane emission disclosure reliability, which received 36.4% support from shareholders. Public and shareholder pressure, growing membership of the OGMP and Exxon's recent acquisition of OGMP member Pioneer Natural Resources appear to have swayed the company towards greater transparency. Greater transparency is crucial in terms of enabling markets and investors to accurately price climate-related risks and opportunities which, in turn, is an incentive for companies to make the changes they are seeking.

LGIM	
Sector of company engaged with: Utilities	
Topic	**Environment:** Pollution and Governance
Rationale	LGIM's engagement focus for Company C in 2023 have been on the wider environmental and financial issues facing the water sector, such as pollution and the monitoring of outflows, water security, infrastructure investment, high levels of debt, capex uncertainty, resilience and so forth. Water is a key component within LGIMs global stewardship theme of 'Nature'. LGIM believe that water is at the core of resilient, sustainable economic development and it is linked to a broad spectrum of concerns, from net zero, food and human health, to involuntary migration and social and political instability. The water industry in England and Wales, in particular, is facing a number of environmental issues, many of which have received frequent press coverage in recent months. There are several financially material challenges that we have identified for engagement within the Global Research and Engagement Groups ('GREGs'). As a major lender in the sterling corporate bond market, LGIM believe they have a responsibility to push for positive change at underperforming companies.
Actions	Within the GREGs, members of LGIMs Investment Stewardship and investment teams have been working on thematic policies, incorporating both corporate engagement and policy dialogue. With regards to engagement, LGIM have joined a collaborative working group that is being led by the Investor Forum focused on short-, medium- and long-term concerns regarding the UK water system. The collaborative engagement is crucially approaching the topic at corporate, policy and regulatory levels. To date, meetings have been held with Company C, in addition to other water utilities companies. Topics discussed with Company C have included the regulatory backdrop for UK water infrastructure, the risk of financial penalties, the necessary improvements that have been identified and the cost and funding of these. Given the current economic backdrop, the company's climate adaptation plans and their Environmental Protection Agency rating. Levels of individual typically engaged with have included the Chair and the CFO. LGIM have also met with other large investors in the sector to help understand broader concerns and formulate expectations. LGIM directly engages when companies are marketing bonds and also amplifies its voice through its leading role at UK industry body The Investment Association.
Outcomes and next steps	Despite the progress made in disclosures, at the company's 2023 AGM, LGIM voted once again in support of a shareholder resolution requesting that the company amend its articles to disclose a transition plan to align lending and investment portfolios with the goals of the Paris Agreement. LGIM expect company boards to devise a strategy and 1.5°C - aligned pathway in line with the Company's commitments and recent global energy scenarios, including the setting of short-, medium- and long-term emissions reduction targets, taking account of the full range of financing activity. LGIM engaged with the Company and while positively noting positive disclosures around client engagement strategy and commitments under the Net Zero Banking Alliance, LGIM consider that the stated goals and policies could be further strengthened - especially around the bank's coal policy and the scope of emission reduction targets - and therefore believed that the shareholder proposal provides a good directional push. Transparency and improving disclosures enable investors and the market to assess risks and opportunities related to the climate transition and price these more accurately. Appropriate pricing of climate-related risks and opportunities in the market can also be an important incentive for change. Regarding board composition, LGIM will continue to monitor the company's progress here, including on diversity. While LGIM did not apply a vote against the re-election of the relevant director at this year's AGM, there is room for further improvement in the board's gender diversity levels. At Japan's largest companies, LGIM expects women to represent 15% of the board. LGIM's favourable vote takes into account Mizuho's efforts in this area including having joined the 30% Club and its recent appointment of a further female director to the board. It is also worth noting that the Company's cross-shareholdings are above the limit LGIM applies (20%) and therefore voted against the election of the relevant director at their 2023 AGM. LGIM will continue to engage with the Company.

HSBC	
Sector of company engaged with: E-commerce	
Topic	Working Conditions and Workforce Disclosure
Rationale	HSBC have been engaging with a large information technology company in line with their stewardship asks, as well as to address ad-hoc concerns. As an example, they have had concerns about ongoing reported incidents throughout the year around human rights violations, which could pose significant risks to the company.
Actions	HSBC have engaged with an IR representative of the company numerous times over the past couple of years, so as to continue sharing views on what HSBC believe to be important issues and to learn about updates from the company. HSBC have discussed AGM matters with the company to share their views. As part of a collaborative initiative, HSBC wrote to the company requesting additional reporting on key environmental areas such as water.
Outcomes and next steps	The company puts out examples of progress around climate every year. The company continues to address e-waste, by promoting trade in opportunities, options to repair, building products for longevity as examples. They continue to work on solutions for this challenging area. The company continues to investigate allegations when they arise and assess their auditing of supply chains and transparency around that. They have also conducted independent unannounced audits and assessments as part of a scaled-up programme. HSBC believe that the company must enhance their transparency in reporting and during engagements and will continue to push on these and other issues. HSBC will continue to vote at AGMs in accordance with our principles on respective issues.

HSBC	
Sector of company engaged with: Consumer	
Topic	Biodiversity and Inclusive Growth
Rationale	Global consumer goods player with leading position in snacking, drinks and other food groups with high return, resilient business model and high valuation to reflect its history of steady growth. HSBC have some concerns that the company is not improving quickly enough on risks and opportunities presented by issues such as regenerative agriculture, water efficiency, sustainable packaging, positive nutrition, workforce development and in the long term these issues could impede the company's continued success through reducing growth possibility and increasing reputational risks that may damage brand value.
Actions	Over the past 3.5 years HSBC have met the company 1-1 on several occasions to raise their points and also have had separate meetings with the company SME's in agriculture, nutrition and public policy to more deeply understand the issues and encourage progress. HSBC have learned that the company does have expertise in regenerative agriculture and have ambitious targets to be impactful at the farmer level, however HSBC have pointed to peers where the progress towards the regenerative acres farmed goals is clearer and the definitions of what constituents a RA acre are more specific. HSBC communicated that more specific interim goals and a framework for how the company considers regenerative acres would be very helpful for investors. HSBC have used their voting capital to support initiatives calling for company to do more on environmental topics and have communicated voting decisions to the company ahead of the AGM's.
Outcomes and next steps	HSBC have been pleased to see the company contribute to an industry wide initiative on regenerative agriculture which goes some way to closing HSBCs ask for them to tighten their regenerative agriculture framework gaps. Their current regeneratively farmed acreage target is stretching but HSBC especially need to see how they will get to it, through interim targets. In Q4 2023 the company launched upgraded nutrition targets, seeking to add diverse ingredients to 140bn portions of its product servings by 2030. The focus will be on adding legumes, nuts, seeds and wholegrains to the company's leading brands, as well as using technology and M&A to develop how consumer accepted brands. HSBC consider this a very positive step as the company had not appeared willing to set a positive nutrition target in the past and have recently communicated their support for the company's work on the initiatives but will also follow up on progress on the other topics ahead of the next AGM.

HSBC	
Sector of company engaged with: Energy	
Topic	Climate change and executive pay
Rationale	HSBC have a long history of engaging with the company, including through collaborative efforts such as CA100+ and were part of the group which co-filed a climate proposal at the 2019 AGM, which was supported by the board. While the company is seen as one of the leaders in the industry, questions remain about its strategy to achieve its net zero commitment and a lack of absolute reduction target for Scope 3 emissions from traded products. In February 2023, the company announced a downward revision of its target to reduce Scope 3 emissions from products it produces. The company's CEO was paid over GBP10 million, which was significantly more than HSBC expected under the Inclusive Growth and Shared Prosperity theme.
Actions	At the 2022 AGM, HSBC supported the company's say on climate proposal, acknowledging the progress the company had made in its energy transition strategy including new GHG emissions reduction targets. HSBC however also supported a shareholder proposal to seek a Paris-aligned target covering Scope 3 emissions, in line with the request they had previously made. Later in 2022, HSBC were invited to participate in pay consultation with the chair of the remuneration committee and also had a 1:1 meeting with the company secretary to provide further input on executive pay, whilst continuing discussions on climate change including responsible divestment and just transition. In 1H 2023, HSBC provided feedback on the summary update on the remuneration policy. At HSBC's meeting ahead of the 2023 AGM, they communicated their disappointment at the downward revision of the company's Scope 3 target and HSBCs plan to support the shareholder proposal to align its target with Paris goals. HSBC also shared their view that the pay outcome for the CEO is beyond an acceptable level and that they would oppose both the remuneration report and the new remuneration policy, which would sustain the level of pay.
Outcomes and next steps	HSBC were pleased to hear at their meeting in late 2022 that the company had been working with a third party to develop a set of principles on responsible divestment. HSBC will seek further updates on this. While HSBC acknowledge the challenge the company faces in setting an absolute reduction target for emissions from its traded products, HSBC will continue to seek assurance that the company's current strategy is aligned with the Paris goals. HSBC will also engage on executive pay, to seek a better alignment with the UK national median pay particularly in the current climate.