



DHL Group Retirement Plan

DC Section

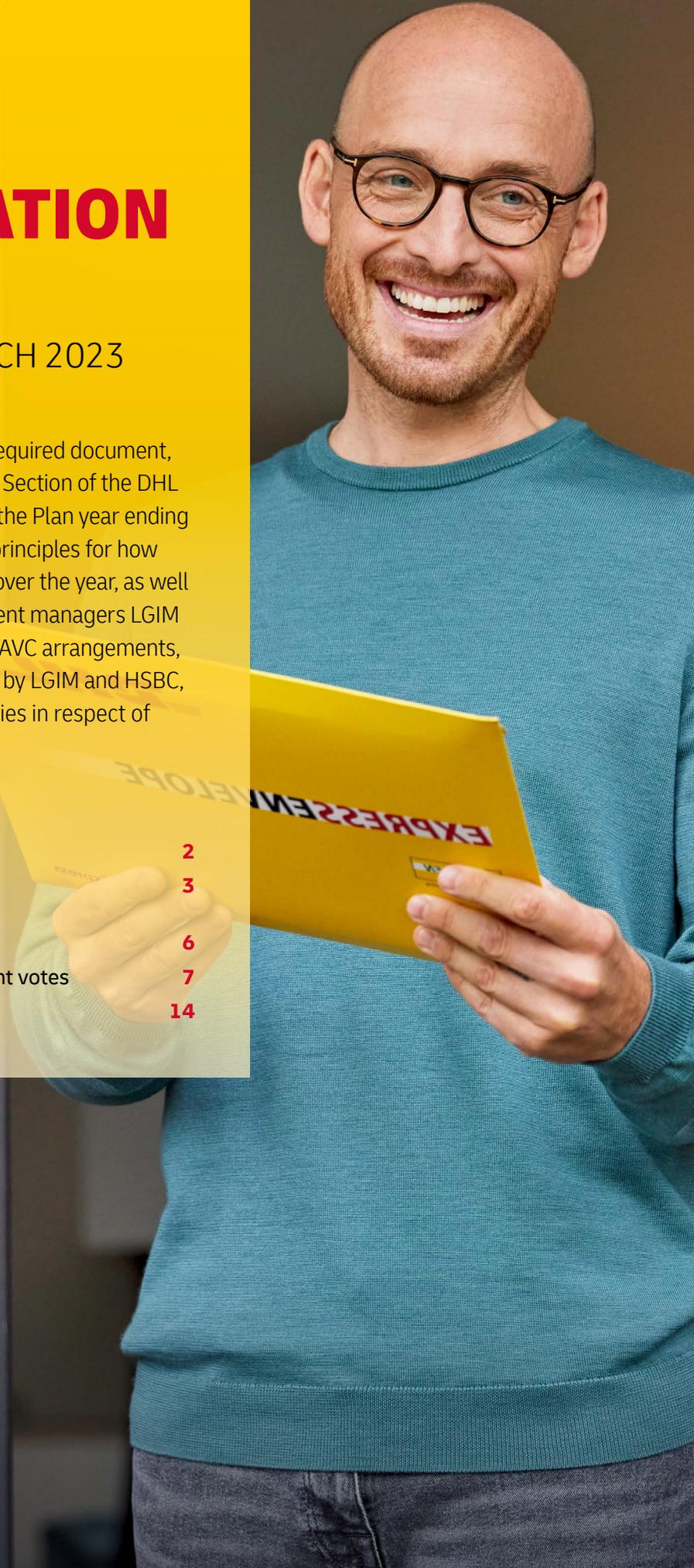
IMPLEMENTATION STATEMENT

PLAN YEAR ENDING 31 MARCH 2023

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 2023. 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 AVC 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	2
Section 2: The DC Section's Statement of Investment Principles ('SIP')	3
Section 3: Review and changes to the SIP	6
Section 4: Voting information and significant votes	7
Section 5: Engagement activity	14



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 2023. 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; and
- ✓ 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.

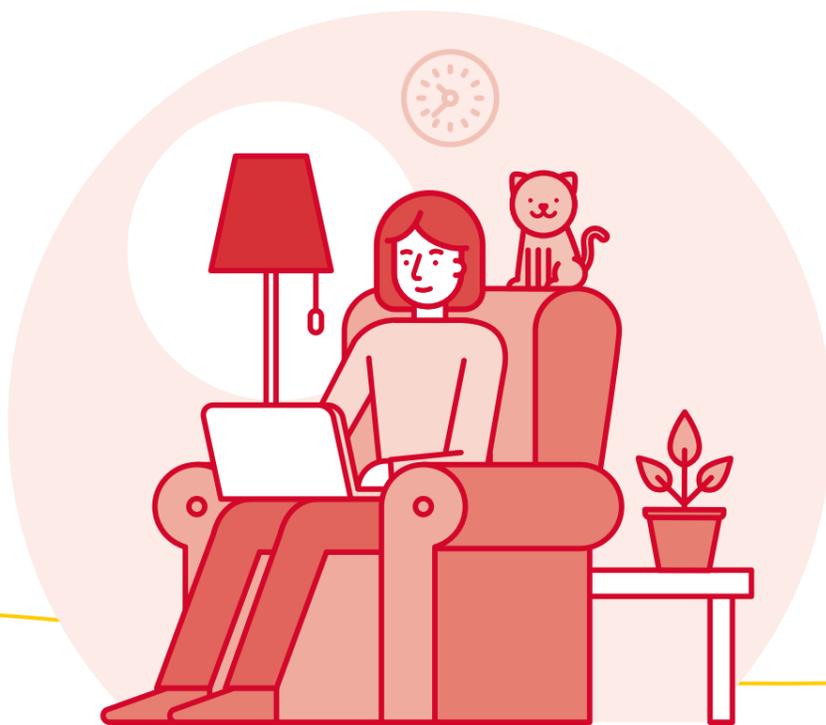
The latest version of the DC Section's SIP can be found online [here](#).

In summary, the Trustee believes that:

- a) the policies outlined in the DC Section's SIPs in force have been adhered to over the Plan year; and
- 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 2023.

	Policy	In the Plan year to 31 March 2023
 <p>Governance</p>	<p>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).</p>	<p>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.</p>
 <p>Investment objective and strategy</p>	<p>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.</p> <p>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.</p>	<p>During the last Plan year, the DCC, with advice from its DC investment adviser, began a full review of the investment strategy, including reviewing all Lifestyle and Freestyle fund options.</p> <p>As part of the review the Trustee conducted a full review of its DC investment beliefs, which underpin the Trustee's investment policies and the way in which these are implemented in the investment strategy. This has not led to a significant change in the beliefs, but they have been updated to reflect a different level of conviction in some areas.</p> <p>The investment strategy review is ongoing and is expected to conclude within the current Plan year ending 31 March 2024.</p> <p>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. The Trustee continues to believe L&G remains suitable as the DC Section's platform provider.</p>
 <p>Responsible investment and sustainability</p>	<p>The Trustee considers long-term sustainability to be an important and relevant issue to consider throughout the investment process, and Environmental, Social and Corporate Governance (or 'ESG') issues, including climate change, are financially material.</p> <p>The Trustee believes that the impact of, and potential responses to, climate change, create 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.</p>	<p>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 funds used within both the Lifestyle strategies and Freestyle fund range explicitly take account of the approach that companies take to ESG issues.</p> <p>During the last Plan year, in November 2022, 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.</p> <p>During the year the Trustee also continued their work in relation to legislation concerning the risks and opportunities associated with climate change. This has included:</p> <ul style="list-style-type: none"> • Publishing its first Climate Report in September 2022, 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.

Policy	In the Plan year to 31 March 2023
<p>Responsible investment and sustainability</p>  <p>(continued)</p>	<ul style="list-style-type: none"> Monitoring of key climate-related metrics for the DC funds. Over the Plan year, the Trustee updated its Climate Risk Policy to reflect changes to its governance, details of the four scenarios adopted (covering a range of likely temperature pathways) for the analysis undertaken in 2021 and that 'climate-related engagements' had been chosen as the metric to target. The Trustee also adopted a fourth metric in relation to climate reporting which captures the proportion of investments in companies with Science Based Targets for each manager's portfolio. This is an objective measure as the number would be verified by the Science Based Targets initiative, an external body. <p>The Trustee's next Climate Report will be published within the current Plan year ending 31 March 2024, and will be available on the Plan website.</p>

<p>Stewardship</p>  <p>The Trustee delegates responsibility for stewardship activities (including voting rights and engagement activities) related to investments to the investment managers.</p> <p>The Trustee expects the Plan's investment managers to take on engagement activity with companies that includes:</p> <ul style="list-style-type: none"> 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. <p>The Trustee periodically reviews engagement and stewardship activity undertaken by their investment managers to ensure that the policies outlined above are being met.</p> <p>Where practicable the Trustee will seek to avoid investment in controversial weapons (defined as weapons which are contrary to international treaties or conventions).</p>	<p>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.</p> <p>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.</p> <p>A number of the Lifestyle and Freestyle options have explicit controversial weapons exclusions. In addition, as part of the sustainable investment review, the DCC were 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.</p> <p>The Trustee has agreed a number of areas of stewardship which they consider to be priorities for their investment managers to be undertaking, within the categories of Environmental, Social and Governance:</p> <p>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</p> <p>S – Modern Slavery: For example engaging with companies on their modern slavery policies, especially with regards to their supply chains</p> <p>G – Diversity and Inclusion: For example voting against a director appointment where the board is not sufficiently gender diverse</p> <p>Examples of engagements and significant votes undertaken by the managers in these areas are included within this Statement.</p>
---	---

Policy	In the Plan year to 31 March 2023
<p>Performance objectives</p>  <p>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.</p>	<p>The DCC reviewed the funds' performance on a quarterly basis throughout the year under review.</p> <p>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.</p> <p>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 2023. 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.</p> <p>All other funds are managed passively, meaning that 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 – for example a similar geography or industry. All funds have delivered performance in line with expectations over the Plan year and longer term.</p>
<p>Relationship with investment managers</p>  <p>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.</p> <p>The Trustee reviews the costs incurred in managing the Plan's assets, including the costs associated with portfolio turnover, on an annual basis.</p>	<p>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.</p> <p>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, including portfolio turnover costs.</p> <p>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.</p>
<p>Risk management</p>  <p>The Trustee recognises a range of specific investment risks with reference to the Plan's DC arrangements which are summarised in the SIP.</p>	<p>The Trustee monitored and managed these risks during the Plan year through:</p> <ol style="list-style-type: none"> The regular reporting received by its investment advisers and managers. The 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. The range of Freestyle funds offered, which enable members to consider the risks that are most relevant to them and to invest to mitigate these. <p>The Trustee was comfortable no changes to the investment strategy or options were required during the Plan year.</p>



SECTION 3: REVIEW AND CHANGES TO THE SIP

The DC Section's SIP was reviewed during the Plan year ending 31 March 2023, with no changes being made. Later in 2023 the SIP will be reviewed and updated to reflect the Trustee's priorities for stewardship, as outlined earlier in this Statement.

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 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 Scheme's equity investment managers, on behalf of the Trustee, over the year.

The table below and on page 9 sets out the key voting activity of the Scheme's equity investment managers, on behalf of the Trustee, over the year.

Manager and strategy	Exposure within the DC Section funds	Voting activity	
LGIM Future World Global Equity Index Fund	DHL Diversified Growth fund	Number of resolutions on which manager was eligible to vote:	54,368
	DHL Diversified Cautious fund	Percentage of eligible votes cast:	100%
	DHL Global Equities fund	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:	10%
LGIM Future World UK Equity Index Fund	DHL UK Equities fund	Number of resolutions on which manager was eligible to vote:	7,158
		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:	5%
LGIM Future World Emerging Markets Equity Index Fund	DHL Emerging Markets Equities fund	Number of resolutions on which manager was eligible to vote:	26,163
		Percentage of eligible votes cast:	100%
		Percentage of votes with management:	80%
		Percentage of votes against management:	18%
		Percentage of votes abstained or withheld:	2%
		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:	7%

Manager and strategy	Exposure within the DC Section funds	Voting activity	
LGIM Infrastructure Equity MFG Fund	DHL Diversified Growth fund	Number of resolutions on which manager was eligible to vote:	1,073
	DHL Diversified Cautious fund	Percentage of eligible votes cast:	100%
		Percentage of votes with management:	76%
		Percentage of votes against management:	24%
		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:	19%
LGIM Heitman Global Prime Property Securities Fund	DHL Diversified Growth fund	Number of resolutions on which manager was eligible to vote:	944
	DHL Diversified Cautious fund	Percentage of eligible votes cast:	100%
	DHL Global Property fund	Percentage of votes with management:	82%
		Percentage of votes against management:	18%
		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:	1,423
		Percentage of eligible votes cast:	97%
		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:	12%

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: Rio Tinto Plc	LGIM Future World Global Equity Index Fund
Meeting Date: 8th April 2022	LGIM Future World UK Equity Index Fund
Approximate size of fund's holding as at the date of the vote (as % of portfolio): Global Equity: 0.2%; UK Equity: 5.0%	
Type of resolution: Management	
Stewardship theme: Climate change	
Resolution: Approve Climate Action Plan	
Company Management Recommendation: For	
How LGIM voted: Against	
Outcome of vote: For	

Commentary: LGIM considers this vote significant as it is an escalation of its climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote.

LGIM recognises the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while LGIM acknowledges the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, it remains concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.

LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Most significant votes cast	Coverage in portfolio
Company: The Charles Schwab Corporation	LGIM Future World Global Equity Index Fund
Meeting Date: 17th May 2022	
Approximate size of fund's holding as at the date of the vote (as % of portfolio): 0.2%	
Type of resolution: Management	
Stewardship theme: Diversity & inclusion	
Resolution: Elect Director Arun Sarin	
Company Management Recommendation: For	
How LGIM voted: Against	
Outcome of vote: For	

Commentary: LGIM views diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.

A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM is targeting the largest companies as they believe that these should demonstrate leadership on this critical issue. The company also has an all-male Executive Committee. Additionally, LGIM supports a declassified board as directors should stand for re-election on an annual basis.

LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Most significant votes cast	Coverage in portfolio
Company: Amazon.com, Inc.	LGIM Future World Global Equity Index Fund
Meeting Date: 25th May 2022	
Approximate size of fund's holding as at the date of the vote (as % of portfolio): 1.7%	
Type of resolution: Management	
Stewardship theme: Human rights	
Resolution: Elect Director Daniel P. Huttenlocher	
Company Management Recommendation: For	
How LGIM voted: Against	
Outcome of vote: For	

Commentary: LGIM pre-declared its vote intention for this resolution, demonstrating its significance.

A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.

LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Most significant votes cast	Coverage in portfolio
Company: Alphabet Inc	LGIM Future World Global Equity Index Fund
Meeting Date: 1 June 2022	
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 Physical Risks of Climate Change	
Company Management Recommendation: Against	
How LGIM voted: For	
Outcome of vote: Against	

Commentary: LGIM considers this vote significant as it is an escalation of its climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote.

A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.

LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Most significant votes cast	Coverage in portfolio
-----------------------------	-----------------------

Company:	Sumitomo Mitsui Financial Group Inc. LGIM Future World Global Equity Index Fund
Meeting Date:	29th June 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio):	0.1%
Type of resolution:	Shareholder
Stewardship theme:	Climate change
Resolution:	Amend Articles to Disclose Measures to be Taken to Make Sure that the Company's Lending and Underwriting are not Used for Expansion of Fossil Fuel Supply or Associated Infrastructure
Company Management Recommendation:	Against
How LGIM voted:	For
Outcome of vote:	Against

Commentary: Significant shareholder support for a Climate Shareholder Resolution in the Japan market. Support of shareholder proposal not in line with management recommendation despite positive engagement with the Company.

A vote in support of this proposal is warranted as LGIM expects company boards to devise a strategy and 1.5C-aligned pathway in line with the company's commitments and recent global energy scenarios. This includes but is not limited to, stopping investments towards the exploration of new greenfield sites for new oil and gas supply.

LGIM has had positive engagement with the Company. Despite this, LGIM felt support of the shareholder proposal was appropriate to provide further directional push. LGIM will continue to engage with the Company to provide their opinion and assistance in formulating the Company's approach.

Most significant votes cast	Coverage in portfolio
-----------------------------	-----------------------

Company:	Starbucks Corporation	HSBC Islamic Global Equity Index Fund
Meeting Date:	23rd March 2023	
Approximate size of fund's holding as at the date of the vote (as % of portfolio):	0.7%	
Type of resolution:	Shareholder	
Stewardship theme:	Climate change	
Resolution:	Shareholder proposal to Report on Plant-Based Milk Pricing	
Company Management Recommendation:	Against	
How HSBC voted:	For	
Outcome of vote:	For	

Commentary: HSBC believes that the proposal would enhance accountability in relation to the pricing of plant-based milk.

HSBC will continue to engage on the issue along with other issues of concern, and will likely vote against a similar proposal should it see insufficient improvements.

Most significant votes cast	Coverage in portfolio
-----------------------------	-----------------------

Company:	Apple Inc.	HSBC Islamic Global Equity Index Fund
Meeting Date:	10th March 2023	
Approximate size of fund's holding as at the date of the vote (as % of portfolio):	7.0%	
Type of resolution:	Management	
Stewardship theme:	Diversity & inclusion	
Resolution:	Elect Director Sue Wagner	
Company Management Recommendation:	For	
How HSBC voted:	Against	
Outcome of vote:	For	

Commentary: HSBC has concerns about insufficient diversity of the board.

HSBC will continue to engage on the issue along with other issues of concern, and will likely vote against a similar proposal should it see insufficient improvements.

The company is on HSBC's 2023 engagement priority list.

SECTION 5: ENGAGEMENT ACTIVITY

As noted in Section 2 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	
BP	
Topic	Environment: climate change (Climate Impact Pledge)
Rationale	<p>As one of the largest integrated oil and gas producers in the world, BP has a significant role to play in the global transition to net zero, hence our focus on this company for in-depth engagements. As members of the CA100+ LGIM commits to engaging with a certain number of companies on its focus list and on account of its strong relationship with BP, it leads the CA100+ engagements with them.</p> <p>LGIM believes that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under our Climate Impact Pledge, LGIM publishes its minimum expectations for companies in 20 climate-critical sectors. It selects roughly 100 companies for 'in-depth' engagement – these companies are influential in their sectors, but in LGIM's view 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 LGIM's minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions).</p>
Actions	<p>LGIM has been engaging with BP on climate change for a number of years, during the course of which it has seen many actions taken regarding climate change mitigation.</p> <p>BP has made a series of announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US. LGIM's recommendation for the oil and gas industry is to primarily focus on reducing its own emissions (and production) in line with global climate targets before considering any potential diversification into clean energy. BP has also announced that it would be reducing its oil and gas output by 40% over the next decade, with a view to reaching net-zero emissions by 2050.</p> <p>LGIM met with BP several times during 2022. In BP's 2022 AGM, the manager was pleased to be able to support management's 'Net Zero – from ambition to action' report (Resolution 3). Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments.</p>
Outcomes and next steps	<p>LGIM will continue engaging with BP on climate change, strategy and related governance topics. LGIM supported the company's 'say on climate' vote in their 2022 AGM. Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments. Nevertheless, LGIM does have some areas of concern, and remains committed to continuing its constructive engagements with the company on its strategy and the implementation thereof, with a focus on both its 'downstream' targets and approach to exploration and responsible divestment.</p>

LGIM	
Amazon	
Topic	Social: human rights and freedom of association
Rationale	<p>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.</p> <p>LGIM supported a shareholder resolution at Amazon's AGM in 2021 which asked for a civil rights, equity, diversity and inclusion audit report; the resolution gained 45% support from shareholders.</p> <p>Amazon has been accused of interfering with efforts by its workers to unionise. This activity has since been investigated and, following a decision by the US National Labor Relations Board Region (NLRB) that declared Amazon's conduct to be inappropriate and not in line with International Labour Organisation (ILO) standards, it was deemed that a new election should be conducted on 4 February 2022 and concluded at the end of March 2022.</p> <p>In terms of objectives, LGIM wanted to see how the company planned to improve its disclosure and transparency on civil rights, equity, diversity and inclusion, in line with the shareholder resolution. LGIM also made a number of requests to the company, described in the engagement section below, in light of the NLRB investigation. LGIM also continues to ask the company to report on its gender pay gap, another topic of a 2021 shareholder resolution.</p>
Actions	<p>LGIM has been engaging with Amazon for a number of years and within the past couple of years, it has specifically focused on freedom of association. Following a decision by the US National Labor Relations Board Region (NLRB) that declared Amazon's conduct to be inappropriate and not in line with International Labour Organisation (ILO) standards, LGIM requested that the company: immediately adopt a global policy of neutrality; commit to negotiate with the union in good faith, should a majority of the voting employees vote for the union in Bessemer; and initiate dialogue with the relevant trade unions at a national and global level on how Amazon can implement its labour rights commitments. LGIM escalated its engagement by supporting a number of shareholder resolutions (i.e. voting against management) in the company's 2022 AGM, including resolutions requesting a third-party report on the company's human rights and due diligence process; a report on protecting the rights of freedom of association and collective bargaining; a third-party audit on working conditions, and a report on the median gender/ racial pay gap.</p> <p>LGIM has spoken directly with the company about its voting decisions.</p>
Outcomes and next steps	<p>LGIM's engagement with Amazon continues, as its stated objectives have not yet been reached.</p> <p>LGIM has joined a collaborative engagement through Share, alongside peers representing USD15trn in AUM or Advisory, to increase pressure on Amazon specifically on freedom of association, where LGIM shares our peers' concerns, and have therefore joined forces to strengthen LGIM's international voice.</p>

LGIM	
Toyota Motor Corp	
Topic	Governance: capital allocation; board independence, diversity and effectiveness (Corporate transparency)
Rationale	<p>As a longstanding member of the Asian Corporate Governance Association network ('ACGA') Japan Working Group, LGIM engages with Japanese companies, including Toyota Motor Corporation, to improve their corporate governance and sustainability practices.</p> <p>At Toyota, LGIM has identified their key issues to be: i) capital allocation decisions (cross-shareholdings and insufficient investments in zero-emissions vehicles and related infrastructure, and ii) board independence, diversity and effectiveness.</p>
Actions	<p>LGIM originally started its engagement with Toyota in September 2021, alongside fellow shareholders. Its second meeting was held earlier this year to discuss climate change, board composition and capital allocation. It spoke with TMC's Chief Sustainability Officer. Throughout these meetings, which were attended by Toyota's investor relations team and chief sustainability officer, LGIM expressed its concerns around the company's cross shareholdings, the lack of supervisory function at the board level given the low level of independence, and the company's climate transition strategy and related public policy engagements.</p> <p>In September 2022, LGIM spoke with one of the outside directors on the board and were able to have a candid conversation about how outside directors add value to the board and the quality of board discussions. Given the company's size and influence at Japan's largest business federation and in industry associations, LGIM has always questioned the company's lobbying stance and its alignment with a 1.5°C world (this is also one of LGIM's red lines under sector guides for the auto sector in the Climate Impact Pledge).</p>
Outcomes and next steps	<p>LGIM is delighted to see improved transparency from the company as they published their views on climate public policy in December 2021. Nonetheless, LGIM views corporate transparency to be the first step and hopes that this will enable it to have more in-depth conversations on its views on climate and how the company plans to shift its strategy.</p> <p>Given a recent controversy at one of Toyota's group companies (Hino), LGIM will continue to engage with the company on corporate governance issues and push for better practices both in terms of corporate governance and climate strategy.</p>

HSBC	
Coal India Limited	
Topic	Thermal coal exposure: emissions reduction, diversification from thermal coal, and improved transparency.
Rationale	<p>This was the first time HSBC had a 1-1 engagement meeting with the company after several attempts to contact them but without response. The meeting was organized by HSBC's AMIN onshore team. Focus of this meeting was climate change and the company's climate transition plans, recognizing that it is an SOE coal miner in India so HSBC's leverage to influence change was limited.</p> <p>HSBC also used the upcoming AGM as an opportunity to explain to the company its position on HSBC's Climate watchlist and rationale for intention to vote against its non-executive director(s) who were up for re-election.</p>
Actions	<p>HSBC had a productive introductory call with the GM of Environment and discussed the company's scope 1 and 2 decarbonisation initiatives, thermal coal diversification strategies, GHG emissions reduction targets, just transition considerations, and how the company can enhance climate disclosures.</p> <p>It followed up with recommendations to the company to adopt in order to improve its transparency and TPI scores: (1) GHG targets, (2) TCFD and CDP disclosures, (3) scope 3 reporting, (4) capital expenditure on decarbonisation, (5) diversification strategy and (6) further details of just transition.</p>
Outcomes and next steps	<p>Company representative seemed to be receptive to HSBC's feedback, however given the company's unresponsiveness to requests for meetings and to follow-up email, it is not clear yet whether they will consider HSBC's recommendations seriously.</p> <p>Next steps include a follow up with CA100+ investor group.</p>

HSBC	
Ocado	
Topic	Workforce, executive pay, board chair engagement.
Rationale	HSBC voted against the re-election of the board chair and their remuneration report. The board chair offered an engagement meeting and the company itself is an interesting model of retail and tech/ machinery with workforce issues.
Actions	Direct engagement with the board chair to discuss HSBC's thoughts and actions.
Outcomes and next steps	<p>Board chair acknowledged significant dissent against pay, but large focus on share price as a validator of the model means that HSBC foresees the large options package for management to be a challenge over the next few years.</p> <p>It would be good if Ocado committed to enhanced supply chain insight and better understanding of employee wellbeing (it appears that a low wage model seems an important factor into the retail model).</p> <p>The move towards zero human pickers in their CFCs is understandable and somewhat predictable, but treating staff with dignity and providing opportunities for them to stay employed is important. HSBC also notes the employment growth and controversial fire-and-rehire exercise for UK drivers.</p> <p>Board gender diversity is below HSBC's desired % and this was communicated to the chair, who accepted HSBC's position and said that board refreshment was happening over the next 24 months. This includes a new RemCo chair to succeed the IED who will remain in his main position.</p> <p>Improvement points include supply chain insight, employee wellbeing and disclosure of injury statistics.</p>

HSBC	
ENN Energy	
Topic	<p>Commit to a Science Based Target and begin reporting on Scope 3 emissions.</p> <p>Engage with SBTi on guidance.</p> <p>Summarise and disclose information on the company's crisis management plan, including details on frequency of testing of the plan and drills held with senior management. This should be in relation to pipeline incidences or even cybersecurity.</p> <p>Expand climate scenario analysis beyond Henan to other areas of operation.</p> <p>Improve disclosure on whistleblowing practices, including how such plans and channels are communicated to staff and reviewed by Board.</p> <p>Achieve 50% board independence and 30% gender diversity.</p>
Rationale	<p>One of the largest clean energy distributors in Mainland China. It is also one of the first non-state-owned piped gas distributors in China.</p> <p>Company poised to benefit from the energy transition and has clearly articulated its opportunities in the space. Revenue growth ~ 30% over the last four years.</p> <p>Concerns with board diversity and gender diversity, percentages of which both fell this year.</p> <p>To inquire into safety and pipeline management given spate of explosions/accidents in Mainland China in recent years, as well as incident and risk management.</p> <p>Discuss climate objectives and net zero commitments.</p>
Actions	<p>HSBC discussed and inquired into the company's plans to set a net zero commitment. The company shared that this is being assessed, through priority will be to footprint scope 3 emissions and align with PRC timelines on net zero. Demand for gas will only continue to grow as the PRC has yet to peak emissions.</p> <p>Outlined the importance of a crisis management team with involvement of senior management and regular testing of crisis management plans – this should cover safety and cyber issues.</p> <p>Discussed pipeline safety and management. The company shared how pipeline network is monitored through AI and process to refurbish or bring up to standard any third party pipeline that the company buys.</p> <p>Company shared that it is committed to achieving 50% board independence and 30% board female representation although has not specific dates for when this is to be achieved.</p>
Outcomes and next steps	<p>Second contact with Company on ESG issues. Company agreed on call to greater disclosure on crisis preparedness and whistleblowing matters.</p> <p>ENN has carbon footprinted its scope 3 emissions and will be disclosing this in its upcoming ESG Report. Has also committed to net zero emissions.</p> <p>HSBC will continue to engage with ENN on setting interim emissions reduction targets.</p> <p>ENN was also the victim of a cyber attack and provided additional details on process to address the issue – HSBC will continue to engage with ENN on their cyber preparedness.</p>

