

Gates UK Pension Scheme

Implementation Statement for the year ending 5 April 2022

Introduction

This implementation statement has been prepared by the Trustees of the Gates UK Pension Scheme. The Scheme provides benefits calculated on a defined benefit (DB) basis for members in the DB Section and benefits calculated on a defined contribution (DC) basis for members in the DC Section.

The statement:

- sets out how, and the extent to which, the policies set out in the Statement of Investment Principles (the SIP) have been followed during the year;
- describes any review of the SIP, including an explanation of any changes made; and
- describes the voting behaviour by, or on behalf of, the Trustees over the same period.

The Trustees' policies contained in the SIP are underpinned by their investor beliefs, which have been developed in consultation with their investment consultant.

Trustees' overall assessment

In the opinion of the Trustees, the policies as set out in the SIP have been followed during the year ending 5 April 2022.

Review of the SIP

The Trustees' policies have been developed over time by the Trustees in conjunction with their investment consultant and are reviewed and updated periodically and at least every three years.

The SIP was reviewed during the Scheme year as a result of changes to the investment strategy, and the latest version is dated December 2021.

Policy in relation to the kinds of investments to be held

The Trustees have given full regard to their investment powers as set out in the Trust Deed and Rules and have considered the attributes of the various asset classes when deciding the kinds of investments to be held. The Scheme invests in pooled funds and cash, to manage costs, diversify investments and improve liquidity.

All investments made during the year have been in line with their investment powers.

Investment strategy and objectives

Investment strategy (DB Section)

The investment strategy for the Scheme is based on an analysis of its liability profile, the required investment return and the returns expected from the various asset classes over the

long term. Long-term returns from equities are expected to exceed the returns from bonds and cash, although returns and capital values demonstrate higher volatility. The Trustees are prepared to accept this higher volatility in order to aim to achieve the overall investment objective.

The Trustees are responsible for reviewing the investment strategy of the Scheme following each actuarial valuation in consultation with the Scheme's investment consultant. The Trustees may also reconsider the investment strategy outside the triennial valuation period where necessary.

The implementation of the new investment strategy was commenced during the year and is currently on pause pending consideration of a possible insurance company buy-out of the Scheme's benefits.

Policy in relation to the balance between various kinds of investments and the realisation of investments (DB Section)

The appointed investment manager holds a diversified mix of investments in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each major market the manager maintains a diversified portfolio of stocks within pooled vehicles.

The Trustees require the investment manager to be able to realise the Scheme's investment in a reasonable timescale by reference to the market conditions existing at the time the disposal is required.

Policy in relation to the expected return on investments (DB Section)

Over the long term, the current investment strategy is considered to be consistent with the actuarial basis used by the Scheme Actuary at triennial actuarial valuations.

Investment strategy (DC Section)

The Scheme provides members in the DC Section with a range of funds in which to invest. These aim to allow members to achieve the following:

- maximising the value of retirement benefits so as to enable a reasonable standard of living in retirement;
- protecting the value of those benefits in the years approaching retirement against equity market falls and fluctuations in the cost of annuities (for those members that wish to purchase an annuity); and
- tailoring their investments to meet their own needs.

The Trustees also provide a default strategy to provide a balanced investment strategy for members who do not make an active investment choice.

The new investment strategy was implemented during the year. This also included a review of the default lifestyle strategy and fund range.

As part of this review exercise, the Trustees:

- Considered demographic analysis of their membership
- Considered changes which could be made to the glidepath of the default investment strategy
- Considered alternative asset classes to incorporate into the default strategy and/or alternative lifestyle strategies and/or wider fund range

In considering these factors, the Trustees believe they have complied with their SIP regarding investment strategy considerations.

The next such review will be undertaken in 2023.

Policy in relation to the balance between various kinds of investments and the realisation of investments (DC Section)

During the Scheme year the default option for the Scheme changed to a lifestyle programme which, at seven years from a member's expected retirement age, gradually switches from a 100% allocation to a diversified growth fund into a mix of 50% diversified growth fund, 25% bond fund and 25% cash fund, at the member's selected retirement age. Alternative lifestyle programmes that operate in a similar fashion to the default option but solely targets cash at retirement or the purchase of an annuity are also available for members to choose from.

Under normal market conditions the Trustees expect to be able to realise investments within a reasonable timescale although there remains the risk that certain assets may become less liquid in times of market stress. Dealing spreads and liquidity are monitored periodically by the investment consultant, particularly during periods of heightened volatility.

Policy in relation to the expected return on investments (DC Section)

The default option is expected to provide an appropriate return on members' investments, based on the Trustees' understanding of the membership of the DC Section and having taken into account the risk considerations set out in the SIP.

Risk capacity and risk appetite

Policy in relation to risks (DB Section)

Although the Trustees acknowledge that the main risk is that the Scheme will have insufficient assets to meet its liabilities, the Trustees recognise other contributory risks, including the following. Namely the risk:

- Associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Of the Scheme having insufficient liquid assets to meet its immediate liabilities.
- Of the investment managers failing to achieve the required rate of return.
- Due to the lack of diversification of investments.
- Of failure of the Scheme's Sponsoring Employer to meet its obligations.

The Trustees manage and measure these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

Policy in relation to risks (DC Section)

The Trustees have considered risk from a number of perspectives. These are the risk that:

- the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate retirement income,
- investment market movements in the period prior to retirement lead to a substantial reduction in the anticipated level of pension or other retirement income,
- investment market movements in the period just prior to retirement lead to a substantial reduction in the anticipated cash lump sum benefit.

The investment strategy for the default option has been chosen with the aim of reducing these risks.

The self-select funds available have been chosen to provide members with the flexibility to address these risks for themselves. To help address these risks, the Trustees also review the default option used and the fund range offered at least every three years, taking into account

changes to the membership profile, developments within DC markets (including both product development and trends in member behaviour) and changes to legislation.

Stewardship in relation to the Scheme assets

Policies in relation to investment manager arrangements

The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, set by the investment manager, for their services. The Trustees have very limited to no influence over the objectives of these funds or the fees they charge (although fee discounts can be negotiated in certain circumstances).

Changes have been made to the benchmark/objectives of the funds in which the Scheme invests over the year.

The Trustees, in conjunction with their investment consultant, have introduced a process to obtain and review the investment holding turnover costs incurred on the pooled funds used by the Scheme on an annual basis.

In addition, the Trustees receive information on any trading costs incurred as part of asset transfer work within either the DB or the DC Section, as and when these occur. The exercise is only undertaken if the expected benefits outweigh the expected costs. The Trustees note that, in respect of the DC Section, trading costs are also incurred in respect of member switches (including within the lifestyle strategy). Information on potential ongoing member switching costs for members in the DC Section is included within the Chair's Statement.

The investment managers have invested the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. In return the Trustees have paid their investment managers a fee which is a fixed percentage of assets under management.

The investment consultant has reviewed and evaluated the investment managers on behalf of the Trustees, including performance reviews, manager oversight meetings and operational due diligence reviews.

Investment manager monitoring and changes

During the year the Trustees received reports from the investment manager examining the performance of the pooled funds used. These reports were discussed with the investment consultant at Trustee meetings.

There have been no changes to the Scheme's existing investment manager arrangements.

Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

Stewardship of investments

The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

The Trustees, in conjunction with their investment consultant, appoint their investment manager and choose the specific pooled funds to use in order to meet specific Scheme policies. They expect that their investment manager makes decisions based on assessments about the

financial performance of underlying investments, and that it engages with issuers of debt or equity to improve its performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustees' objective is to ensure that the investment managers have the financial interests of the Scheme members as their first priority when choosing investments. They may take social, environmental or ethical considerations into account only when these factors do not contradict this objective.

Stewardship - monitoring and engagement

The Trustees recognise that investment managers' ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity.

The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and they expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

As all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer-to-peer engagement in investee companies.

Investment manager engagement policies

The Scheme's investment manager is expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustees with information on how each investment manager engages in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

These policies are publicly available on the investment manager's website.

The latest available information provided by the investment manager (for mandates that contain public equities or bonds) is as follows:

Final Salary Section

Engagement			
	LGIM All World Equity Index Fund - GBP Currency Hedged	LGIM AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	LGIM AAA-AA-A Corporate Bond Over 15 Year Index Fund
Period	01/04/2021 – 31/03/2022	01/04/2021 – 31/03/2022	01/04/2021 – 31/03/2022
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.		
Number of companies engaged with over the year	351	n/a	23

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Number of engagements over the year	535	n/a	50
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LGIM Absolute Return Bond Fund

Period	01/04/2021 – 31/03/2022
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.
Number of companies engaged with over the year	57
Number of engagements over the year	125

*n/a indicates the engagement data wasn't available from LGIM

DC Section

Engagement	LGIM Global Equity Fixed Weights (60:40) Index Fund (charges included)	LGIM Pre-Retirement Fund (charges included)	LGIM Diversified Fund (charges included)
Period	01/04/2021 – 31/03/2022	01/04/2021 – 31/03/2022	01/04/2021 – 31/03/2022
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.		
Number of companies engaged with over the year	n/a	83	434
Number of engagements over the year	n/a	176	631

Future World Multi-Asset

Period	06/04/2021 – 05/04/2022
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the

	goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.
Number of companies engaged with over the year	431
Number of engagements over the year	625

**n/a indicates the engagement data wasn't available from LGIM*

Exercising rights and responsibilities

The Trustees recognise that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment manager is expected to disclose annually a general description of its voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The investment manager uses proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustees do not carry out a detailed review of the votes cast by or on behalf of their investment managers but rely on the requirement for their investment managers to provide a high-level analysis of their voting behaviour.

The Trustees consider the proportion of votes cast, and the proportion of votes against management and believe this to be an important (but not the only) consideration of investor behaviour.

The latest available information provided by the investment managers (for mandates that contain public equities) is as follows:

Final Salary Section

Voting behaviour	LGIM All World Equity Index Fund - GBP Currency Hedged
Period	01/04/2021 – 31/03/2022
Number of meetings eligible to vote at	6,519
Number of resolutions eligible to vote on	64,607
Proportion of votes cast	99.8%
Proportion of votes for management	80.7%
Proportion of votes against management	18.1%
Proportion of resolutions abstained from voting on	1.3%

DC Section

Voting behaviour	LGIM Global Equity Fixed Weights (60:40) Index Fund (charges included)	LGIM Diversified Fund (charges included)	LGIM Future World Multi-Asset
Period	01/04/2021 – 31/03/2022	01/04/2021 – 31/03/2022	01/04/2021 – 31/03/2022
Number of meetings eligible to vote at	3,175	9,011	8,296
Number of resolutions eligible to vote on	39,493	90,254	85,030
Proportion of votes cast	99.9%	98.8%	99.7%
Proportion of votes for management	82.9%	78.7%	79.1%
Proportion of votes against management	17.0%	20.5%	20.4%
Proportion of resolutions abstained from voting on	0.2%	0.8%	0.5%

Trustees' engagement

The Trustees have reviewed the investment managers' policies relating to engagement and voting and how they have been implemented and have found them to be acceptable at the current time.

The Trustees recognise that engagement and voting policies, practices and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

Appendix

Link to the Engagement Policy for the investment manager can be found here:

Investment manager	Engagement Policy (or suitable alternative)
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Legal & General Investment Management	https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-engagement-policy.pdf
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Information on the most significant votes for each of the funds containing public equities is shown below.

LGIM All World Equity Index Fund - GBP Currency Hedged	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Microsoft Corporation	Amazon.com, Inc.
Date of Vote	04/03/2022	30/11/2021	26/05/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.7	3.6	2.2
Summary of the resolution	Resolution 9 - Report on Civil Rights Audit	Elect Director Satya Nadella	Resolution 1a Elect Director Jeffrey P. Bezos
How the fund manager voted	For	Against	Against
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	Diversity: A vote in favour is applied as LGIM supports proposals related to	LGIM expects companies to separate the roles of Chair and CEO due to	LGIM has a longstanding policy advocating for the separation of the roles

	diversity and inclusion policies as they consider these issues to be a material risk to companies.	risk management and oversight.	of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they are voting against all combined board chair/CEO roles. Furthermore, they have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and they have reinforced their position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.
Outcome of the vote	53.6%	94.7%	95.1% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Criteria on which the vote is assessed to be "most significant"	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets they manage on their behalf.	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes	LGIM considers this vote to be significant as it is in application of an escalation of their vote.
LGIM Global Equity Fixed Weights (60:40) Index Fund (charges included)			
Company name	Apple Inc.	Microsoft Corporation	Amazon.com, Inc.
Date of Vote	04/03/2022	30/11/2021	26/05/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.8	0.8	0.5
Summary of the resolution	Resolution 9 - Report on Civil Rights Audit	Elect Director Satya Nadella	Resolution 1a Elect Director Jeffrey P. Bezos
How the fund manager voted	For	Against	Against
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring

	to be a material risk to companies.		distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they are voting against all combined board chair/CEO roles. Furthermore, they have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and they have reinforced their position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.
Outcome of the vote	53.6%	94.7%	95.1% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is assessed to be “most significant”	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets they	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's	LGIM considers this vote to be significant as it is in application of an escalation of their vote.

	manage on their behalf.	five-year ESG priority engagement themes	
LGIM Diversified Fund (charges included)	Vote 1	Vote 2	Vote 3
Company name	NextEra Energy, Inc.	Union Pacific Corporation	Apple Inc.
Date of Vote	20/05/2021	13/05/2021	04/03/2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.4	0.4	0.4
Summary of the resolution	Resolution 1h Elect Director James L. Robo	Resolution 1d Elect Director Lance M. Fritz	Resolution 9 - Report on Civil Rights Audit
How the fund manager voted	Against	Against	For
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.

	<p>appointment of independent board chairs, and since 2020 they are voting against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO (available on their website), and they have reinforced their position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.</p>	<p>appointment of independent board chairs, and since 2020 they are voting against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO (available on their website), and they have reinforced their position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.</p>	
Outcome of the vote	88.1% of shareholders supported the resolution.	90.5% of shareholders supported the resolution.	53.6%
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is assessed to be “most significant”	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.

LGIM Future World Multi-Asset	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Microsoft Corporation	NextEra Energy, Inc.
Date of Vote	04/03/2022	30/11/2021	20/05/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.6	0.6	0.3
Summary of the resolution	Resolution 9 - Report on Civil Rights Audit	Elect Director Satya Nadella	Resolution 1h Elect Director James L. Robo
How the fund manager voted	For	Against	Against
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they are voting against all combined board chair/CEO roles. Furthermore,

			they have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and they have reinforced their position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.
Outcome of the vote	53.6%	94.7%	88.1% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is assessed to be “most significant”	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets they manage on their behalf.	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Information on the most significant engagement case studies LGIM participated in during the year ending 31 December 2021 is shown below.

LGIM	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	BP	Mcdonalds	Experian
Topic	Climate Transition	Antimicrobial resistance	Financial Inclusion
Rationale	<p>LGIM work with the Institutional Investor Group on Climate Change (IIGCC) is a crucial part of their approach to climate engagement. IIGCC is a founding partner and steering committee member of Climate Action 100+ (CA100+), a global investor engagement initiative with 671 global investor signatories representing \$65 trillion in assets that aims to speak as a united voice to companies about their climate transition plans. LGIM actively support the initiative by sitting on sub-working groups related to European engagement activities and proxy voting standards. They also co-lead several company engagement programmes, including at BP□* (ESG score: 27; -11) and Fortum□* (ESG score: 27; -11).</p>	<p>The overuse of antimicrobials (including antibiotics) in human and veterinary medicine, animal agriculture and aquaculture, as well as discharges from pharmaceutical production facilities, is often associated with an uncontrolled release and disposal of antimicrobial agents. Put simply, antibiotics end up in their water systems, including their clean water, wastewater, rivers, and seas.³⁸ This in turn potentially increases the prevalence of antibiotic-resistant bacteria and genes, leading to higher instances of difficult-to-treat infections. In autumn 2021, LGIM worked again with Investor Action on AMR and wrote to the G7 finance ministers, in response to their Statement on Actions to Support Antibiotic Development. The</p>	<p>Pay equality and fairness has been a priority for LGIM for several years. LGIM ask all companies to help reduce global poverty by paying at least the living wage, or the real living wage for UK based employees. Income inequality is a material ESG theme for LGIM because they believe there is a real opportunity for companies to help employees feel more valued and lead healthier lives if they are paid fairly. These are important steps to help lift lower-paid employees out of in-work poverty. This should ultimately lead to better health, higher levels of productivity and result in a positive effect on communities. Global credit bureau Experian† (ESG score: 69; +9) has an important role to play as a responsible business for the delivery of greater</p>

	<p>UN SDG: 13 - Climate Action</p>	<p>letter highlighted investors' views on AMR as a financial stability risk.</p> <ul style="list-style-type: none"> • A member of their team was on the expert committee for the 2021 AMR Benchmark methodology. The benchmark, which was launched in November 2021, evaluates 17 of the world's largest pharmaceutical companies on their progress in the fight against AMR. LGIM participated in a panel discussion on governance and stewardship around AMR. <p>UN SDG 3 - Good Health & Wellbeing</p>	<p>social and financial inclusion</p> <p>UN SDG 8 - Decent work and economic growth</p>
<p>What the investment manager has done</p>	<p>LGIM engaged with BP's senior executives on six occasions in 2021 as they develop their climate transition strategy to ensure alignment with Paris goals.</p>	<p>During 2021, LGIM voted on the issue of AMR. A shareholder proposal was filed at McDonald's† (ESG score: 62; +8) seeking a report on antibiotics and public health costs at the company. LGIM supported the proposal as they believe the proposed study, with its particular focus on systemic implications, will inform shareholders and other stakeholders on the negative implications of sustained use of</p>	<p>LGIM has engaged with the company on several occasions in 2021 and are pleased to see improvements made to its ESG strategy, encompassing new targets, greater reporting disclosure around societal and community investment, and an increasing allocation of capital aligned to transforming financial livelihoods.</p>

		antibiotics by the company	
Outcomes and next steps	<p>Following constructive engagements with the company, LGIM were pleased to learn about the recent strengthening of BP's climate targets, announced in a press release on 8 February 2022, together with the commitment to become a net-zero company by 2050 – an ambition LGIM expect to be shared across the oil and gas sector as they aim to progress towards a low-carbon economy. More broadly, their detailed research on the EU coal phase-out earlier this year reinforced their view that investors should support utility companies in seeking to dispose of difficult-to-close coal operations, but only where the disposal is to socially responsible, well-capitalised buyers, supported and closely supervised by the state. In their engagement with multinational energy provider RWE's senior management, for example, LGIM have called for the company to investigate such a transfer. LGIM think</p>	<p>The hard work is just beginning. LGIM continues to believe that without coordinated action today, AMR may be the next global health event and the financial impact could be significant.</p>	<p>The latter includes the roll-out of Experian Boost, where positive data allows the consumer to improve their credit score, and Experian Go, which is hoped to enable access for more people. The company also launched the United for Financial Health project as part of its social innovation fund to help educate and drive action for those most vulnerable.</p>

transfers like this
could make the
remaining transition
focused companies
more investable for
many of their funds
and for the market
more generally.
