The Co-operative Pension Scheme (Pace) ("the Scheme")
Co-op Section Implementation Statement

17 July 2024

Background

From 1 October 2020, and on an annual basis, the Trustee is required to publish an "Implementation Statement" online and in the Scheme's annual report and accounts. This is the Co-op Section of Pace's fifth Implementation Statement and covers the Scheme year from 6 April 2023 to 5 April 2024. It sets out:

- How, and the extent to which, in the opinion of the Trustee, the Statement of Investment Principles ("SIP") for the Co-op Section of Pace has been followed over the year, along with details of any changes to the SIP;
- How the Trustee has implemented its policies on the exercise of voting rights attaching to its investments and engagement activities and how these votes aligned with the Scheme's stewardship priorities; and,
- The voting behaviour of the Trustee, or that undertaken on its behalf, including the most significant votes cast.

The Trustee also publishes an annual governance statement from the Chair, which demonstrates how the DC Section of Pace has complied with broader governance requirements; this is available online and in the report and accounts.

Buy-in transaction

In November 2023, the Co-op Section of Pace entered into a "buy-in" transaction to purchase a bulk annuity insurance policy with Rothesay Life, a UK insurance company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority, covering the vast majority of defined benefit pensioner and non-pensioner liabilities not previously insured with Pension Insurance Corporation ("PIC") or Aviva as part of the pensioner buy-in transactions implemented in 2020. Under these policies, Rothesay Life, PIC and Aviva undertake, via the Scheme, to pay the Co-op Section's defined benefit obligations as they fall due. In due course, the Trustee's intention is that the buy-in assets will be moved to a buy-out contract and the Section could then be wound up.

The Trustee does not have oversight of the assets backing these buy-in policies or the insurers' set policies on sustainability, although insurer policies on Environmental, Social and Corporate Governance factors were considered as part of the selection of PIC, Aviva and Rothesay Life

The Trustee's review of the SIP over the year

The Trustee maintains a SIP for the Co-op Section of Pace which sets out the investment principles for both Defined Contribution (DC) and Defined Benefit (DB) investments. The SIP is reviewed at least annually and following any significant changes in investment policy.

The Trustee reviewed the SIP in June 2023 and updated it to reflect changes agreed to the lifestyle investment options available to DC members (including changes to the default option), to increase exposure to equities for younger members, and to reduce the time period over which members' pension pots are de-risked. The latest version of the SIP was approved on 15 January 2024, and included updates to reflect the buy-in transaction detailed above as well as to meet new legislative requirements requiring trustees to state their policy on investing in illiquid assets for their scheme's default arrangements (where "illiquid assets" are those that cannot easily or quickly be sold or exchanged for cash and include any such assets held in a collective investment scheme).

The current version of the Co-op Section SIP is available on Pace's website, via https://coop.pacepensions.co.uk/useful-information/pace-investments/.

In preparing the SIP for the Co-op Section of Pace, the Trustee consults with the sponsoring employer, the Co-op. The Co-op is consulted regarding any proposed changes to the SIP and investment strategy, however the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

How have the policies in the SIP been followed over the year?

In the opinion of the Trustee, the SIP has been followed throughout the year for the Co-op Section as set out below.

The Trustee's policies for choosing and realising investments, and the kinds of investments to be held (Sections 2.1, 2.4, 3.1, 3.4 and 6 of the SIP – January 2024 numbering)

The SIP sets out the Trustee's policies for choosing investments - specifically by identifying appropriate objectives which reflect the Section's risk and return requirements, identifying a suitable range of options for members of the DC Section or constructing a portfolio of investments to meet these objectives for DB investments.

In considering these objectives and selecting investments, the Trustee obtains and considers written advice from a regulated investment adviser.

Over the year, the Trustee made changes to the lifestyle investment options available to DC members (including changes to the default option), to introduce an increased exposure to equities for members who are more than 10 years from their chosen retirement date, and shortening the "de-risking" period from 25 to 20 years, meaning members 20 years or further from their selected retirement age will be invested for longer in assets with higher expected returns with the aim of improving members' pot size at retirement. The lifestyle investment options also switched to using blended funds to allow easier communication to members and to allow the Trustee and its investment advisors to make any future changes to the investment strategy more quickly, better reacting to changes in market conditions or market developments, and with less disruption to members.

When undertaking these changes in investment strategy, the Trustee received advice from its Investment Consultants in accordance with Section 35 of the Pensions Act 1995, as well as advice in relation to the purchase of the further buy-in policy with Rothesay Life.

The SIP includes (from January 2024) the Trustee's policy on investing in illiquid assets within the DC Section, specifically not to invest the DC default in standalone funds of illiquid assets given the Trustee's belief that the use of illiquid assets in DC pension schemes is a relatively new and developing area, and that the most efficient way to access this is through a multi-asset structure. Over the year the default investment strategy has included an allocation to a multi-asset fund, via the Pace Growth (Mixed) Fund, which has some indirect exposure to illiquid assets at the fund manager's discretion; as per the policy in the SIP the Trustee has not invested the default strategy in standalone funds of illiquid assets.

At the start of the year, the Trustee's objective for the DB Section was to implement an investment strategy that targeted a total expected return of around 0.8% p.a. (net of fees) above gilts to support the approach used to value the Section's liabilities, with a primary goal of achieving a fully funded position on a low-risk basis, while meeting statutory requirements on a Technical Provisions funding basis.

To meet the above objectives, the Trustee had adopted an investment strategy to target a strategic asset allocation of 48.5% in Liability Driven Investments, 35.0% in corporate bonds, 4.5% in alternative inflation-linked assets and 12.0% in illiquid credit, alongside the buy-in bulk pensioner annuity policies purchased in early 2020 with PIC and Aviva.

However, during the year, the Trustee's objectives were updated to:

- invest the Section's assets in such a manner that members' entitlements can be paid when they fall due; and
- ultimately to progress towards an insurer buy-out of the Section's known liabilities, with the aim of achieving an appropriate discharge of liability in respect of known obligations in accordance with the Section's governing documentation and relevant legislation.

Accordingly, to meet the Trustee's updated objectives, as at 5 April 2024 the DB Section was predominately invested in bulk annuity policies held with PIC, Aviva and Rothesay Life.

Prior to the implementation of the buy-in policy, the Trustee monitored the DB Section's investment strategy on a quarterly basis and is comfortable that over the year the investments held were in line with the SIP.

The investment managers have discretion in the timing of realisation of investments, and this has continued over the year.

The Trustee's policies on managing and measuring risk, and expected returns (Sections 2.3, 2.5, 3.3 and 3.4 of the SIP)

For the DC Section, the Trustee's objective is to make available to members a programme of investment, via pooled funds, which seeks to generate income and capital growth and which, together with new contributions from members and the Scheme's employers will provide a fund at retirement with which to provide an income in retirement. In particular, the default arrangement aims to grow member contributions ahead of inflation over a member's working life, reducing absolute fund volatility as the member approaches retirement. It is designed to be appropriate for members who want to take all of their account as a lump sum on retirement.

The Trustee's expected return and risk management policies for the DB Section were updated over the year given the change to strategy, as set out above.

The Trustee is happy that the risks set out in the SIP have been considered when setting the investment strategy for the DC and DB Sections, and that the policies on portfolio construction were followed when constructing the portfolios for Pace DB.

The Trustee's policies on Investment Manager appointment, engagement and monitoring (Section 5 of the SIP)

The table below summarises how the Trustee's policies on investment manager appointment, engagement and monitoring were implemented over the year:

Policy	**Assessment**
Aligning Manager Appointments with Investment Strategy	No new investment manager appointments were made over the year.

Investment managers are appointed based on their capabilities and, therefore, the perceived likelihood of achieving the stated expected return and risk characteristics required for the asset class they are selected to manage. *If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the wider Trustee investment objectives.*	
Manager Appointments and Performance *The Trustee receives, and considers, performance reports produced on a quarterly basis, which present performance information and commentary on the funds they invest in over various time periods.* *The Trustee may review a manager's appointment if:* • *There are sustained periods of underperformance.* • *There is a change in the underlying objectives of the investment manager, or a change in the portfolio manager.* • *There is a significant change to the Investment Adviser's rating of the manager; or* • *There is a change to the Trustee's overall strategy that no longer requires exposure to that asset class or manager.* *The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustee is dissatisfied, then it may look to replace the manager, or in some circumstances, ask the manager to review the Annual Management Charge.*	The Trustee reviewed investment performance for the DC and DB Sections at each quarterly DC Committee / Trustee meeting over the year (for the DB Section, prior to the implementation of the buy-in policy in November 2023). No periods of underperformance, downgrades to investment adviser ratings or changes to objectives were identified that led the Trustee to review manager appointments or to take further action.
Portfolio Turnover Costs *Investment manager performance is generally reported net of transaction costs (where possible), and therefore managers are incentivised in this way to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.*	Over the year, DC transaction costs were collated, and reported in the Chair's Statement in the Trustee Report and Accounts. At its 6 December 2023 Trustee meeting, the Trustee reviewed reporting on costs incurred by Pace DB over the twelve-month period to 31 December 2022, as collated and analysed by

For the DB Sections, the Trustee has engaged a third party to collect cost information (under the Cost Transparency Initiative), to analyse data from the Main Portfolio's investment managers to determine the underlying costs involved with its investments. The Trustee aims to use this information to prompt discussion with its investment managers on costs and in order to compare its investments with other managers in the same asset class to ensure consistency. *The Trustee will continue to monitor industry improvements concerning the monitoring and reporting of portfolio turnover costs.*	ClearGlass, and as benchmarked against comparable schemes. These were in line with expectations and no concerns were highlighted.
Manager Turnover *The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. There is therefore no set duration for manager appointments. The Trustee typically expects to retain an investment manager unless:* • *There is a change to the overall investment strategy that no longer requires exposure to that asset class or manager.* • *The manager appointed has been reviewed and the Trustee has decided to terminate the mandate.*	No changes were made over the year for Pace DC that resulted in the termination of any investment manager appointments. As noted above, the change to the DB investment strategy for the Co-op Section entailed the disinvestment of the Section's invested assets and the purchase of a bulk annuity policy.

In addition to the policies set out in the SIP for monitoring investment managers, the Trustee also monitors its investment consultants.

The Trustee introduced objectives for each of its investment consultant appointments in December 2019 to comply with regulations governing the role of investment advisors. The Trustee reviews performance against the agreed objectives and the suitability of the consultant's objectives on an annual basis.

Over the year to 5 April 2024, the Trustee reviewed its investment advisers against those objectives.

The Trustee's policies on ESG considerations (Section 8 of the SIP)

The Trustee is committed to achieving its investment objectives in a way that takes into account broader environmental, social and corporate governance concerns. The Trustee believes that as both DC and DB pensions are long-term investments this is important, and it would also like the Scheme's approach to responsible investment to reflect the views of Pace members as far as reasonably possible, and to be consistent with the values of Pace's sponsors, their members and their colleagues. As a result, Pace has developed a Responsible Investment policy covering both DC and DB investments. The policy was developed with input from the Co-op and the Co-operative Bank.

The Responsible Investment Policy is available on the Scheme's website (along with an annual report detailing how Pace has implemented the policy over the year), via https://coop.pacepensions.co.uk/useful-information/pace-investments/

The Responsible Investment policy should be read in conjunction with, and as if it formed part of, this implementation statement.

The Trustee also recognises that it may take non-financial factors into consideration, i.e. those motivated by other concerns, such as social impact where the Trustee has good reason to expect that Scheme members would share these concerns (or, for example, members' personal ethical and religious beliefs), and where the decision is not expected to have material financial detriment; aligned with this, the Trustee has made the Pace Growth (Ethical Shares) Fund and the Pace Growth (Shariah) Fund available as self-select options in the DC Section.

At year-end the DB Section's assets were fully invested in the buy-in policies with Rothesay Life, PIC and Aviva and as such there is limited scope to apply these principles. Furthermore, as the Trustee's objective is to achieve an appropriate discharge of the scheme's liabilities, which would then allow the Section to be wound up, the timeframe for consideration of these factors is relatively short.

The Trustee's policies on the exercise of voting rights and undertaking engagement activities (Section 8 of the SIP)

The Trustee's specific policies on engagement are summarised below, together with the Trustee's assessment of how, and the extent to which, these policies have been implemented over the scheme year to 5 April 2024:

Policy	**Assessment**
The Trustee gives its investment managers full discretion to evaluate ESG factors and engage with companies. The Trustee also encourages its investment managers to adopt best practices in these areas and to act in the best interests of Scheme members. The Trustee recognises that where investments are held in pooled funds, it may not be possible to instruct the manager to follow a separate voting policy or to exercise votes.	The Trustee considers the most effective way to align Pace's investments with its values is to appoint fund managers that take a responsible and sustainable approach to investment, as well as to engage with asset managers in relation to the three broad issues the Trustee identifies as priorities in the Scheme's responsible investment policy, namely: • **Climate change and the protection of the environment**; • **Labour conditions and equal pay**; and • **Corporate governance**. Members' pension pots in Pace DC are invested entirely in pooled investment funds alongside other investors, and the Trustee does not therefore directly invest in underlying companies or have the ability to engage directly with these companies, although further detail on the approach taken by Legal & General Investment Management ("LGIM"), and (in the case of the Pace Growth (Shariah) Fund) HSBC,

	to exercise voting rights is set out in the section below this table. The default option currently invests (via the Pace "Build Your Pot", "Consolidate Your Pot" and "Take Your Pot – as Cash" bespoke blended funds) in the Pace Growth (Shares) 2021 Fund and the Pace Growth (Mixed) Fund, switching out of equities as members approach retirement, and then into a cash fund over the 10 years prior to a member's expected retirement date. The Pace Growth (Mixed) Fund is invested 100% in the LGIM Future World Multi-Asset Fund, which the Trustee and the sponsors believe is aligned with their shared values. This fund "tilts" investments towards companies that have higher governance standards, and aims to achieve positive social and environmental impacts, including companies which are less carbon-intensive or earn green revenue; it also excludes investment in coal miners, and companies involved in the manufacture or distribution of controversial weapons (companies on the "Future World Protection List"). LGIM also applies its "Climate Impact Pledge" to the fund – each year they engage with the largest companies across the world identified as key to meeting global climate change goals to help improve their strategies, and commit to disinvesting from companies that fail to demonstrate sufficient action. Similarly, the Pace Growth (Shares) 2021 Fund tilts to invest more in companies with strong and improving ESG attributes, and doesn't invest in companies that manufacture controversial weapons or that earn a sizeable revenue from mining coal or using coal for power generation. The Pace Growth (Shariah) Fund follows a process that has been approved by an independent Shariah Supervisory Committee which aims to meet the requirements of Shariah law and the principles of Islamic finance. It doesn't invest in financial services companies, companies that manufacture weapons, or companies in industries that are prohibited by

	the Quran such as alcohol, tobacco, gambling and entertainment, or pork-related products. Prior to the implementation of the buy-in in November 2023, the DB Section applied explicit exclusion lists where possible to prevent investment in companies that manufacture or distribute controversial weapons, or those in the oil, gas or mining industries that have poor environmental records, or in government bonds from countries with poor human rights records. The 'ESG aware' LEAF cash fund that the Section implemented within its LDI mandates in March 2022 and which it continues to hold following the buy-in referenced above prohibits investment in issuers that fall within the exclusionary screens defined for the LEAF strategy. For example, the exclusionary list screens out issuers that: • have exposure to the production of controversial weapons; • derive 5% or more of their revenues from fossil fuel mining exploration and/or refinement; • derive 5% or more of their revenues from the production or distribution of tar sands or oil sands
The Trustee may, from time to time, raise specific ESG issues with investment managers and seek a response.	Over the year, the Trustee engaged with investment managers in relation to climate risk in particular, considering each managers' climate risk policy in detail in quarterly MMIC and Investment Committee meetings. At its December 2023 DC Committee meeting, the Trustee and its DC investment advisors reviewed LGIM's stewardship, and challenged the DC Section's fund manager on its record keeping and on implementing safeguards to ensure its voting practice is aligned with its policies (including demonstrating that it undertook sufficiently detailed analysis of all potentially contentious resolutions and their intended impact). LGIM discussed their response at the 7 March 2024 DC Committee meeting, and dialogue is ongoing.

As part of the appointment of new investment managers and its ongoing monitoring process, the Trustee will consider the Investment Adviser's assessment (in terms of the Investment Adviser's own system of ESG ratings) of how each investment manager embeds ESG and stewardship factors into its investment process and how the manager's responsible investment philosophy aligns with Pace's Responsible Investment policy. This includes the investment managers' policy on voting and engagement. *In addition, the Trustee carries out regular reviews of the managers' ESG policies and actively engages with managers to better understand their processes*	No new asset managers were appointed over the year. The Trustee has directly or through the Co-op Pensions Department's Manager Monitoring and Implementation Committee met with each of the Scheme's ongoing managers throughout the year as part of a rolling program, and ESG factors and engagement with investee companies are discussed at each meeting to understand the managers' approaches to incorporating ESG considerations in the initial selection of investments (and any disinvestments or sales), and areas of engagement as well as developments over the year. In particular, LGIM report on their compliance with their engagement policies annually, via their Active Ownership Report. The 2023 report was published in April 2023 and considered by the DC Committee in the 1 June 2023 meeting. As well as receiving reporting at meetings on ESG considerations when making investment decisions or disinvesting, the Trustee and the DC Committee received reporting over the year from Pace's investment consultants on their researchers' assessment of the integration of ESG considerations into each manager's investment processes and their stewardship practices.
As a responsible investor, the Trustee exercises rights, including any voting rights attaching to Pace's investments, in the best interests of Pace's members. Specifically, the Trustee has instructed the investment managers to exercise voting rights accordingly, where applicable and wherever it is practicable to do so, and to report to the Trustee.	Since Q2 2020 the DC Committee has reviewed LGIM's quarterly ESG impact reports, which includes notes from their engagement with companies and summaries of how LGIM voted on key corporate matters, alongside a summary of their policy work in different regions. The Trustee is comfortable that LGIM's voting policies and voting behaviour aligns with the Scheme's stewardship priorities as set out above.

In each of these areas, the Trustee is comfortable that it has implemented the policies it intended to over the year.

Exercise of voting rights

Following changes to reduce risk in its investment strategy in late 2017, Pace DB no longer invests in company shares (either directly or through pooled funds) and therefore does not hold investments with attaching voting rights.

Pace DC offers options for investment to members which do include exposure to shares (either through equity funds or the multi-asset fund). The Trustee does not directly exercise voting rights as these investments are through pooled funds with many other investors.

LGIM

Voting rights are exercised by LGIM using ISS's ProxyExchange electronic voting platform, although voting decisions are retained by LGIM and strategic decisions are made by LGIM's Investment Stewardship Team in accordance with their governance policies for each region.

HSBC

The legal right to the underlying votes lies with the directors of the HSBC Islamic Global Equity Fund, which is the underlying fund behind the Pace Growth (Shariah) Fund. They have delegated this execution of this voting to HSBC Global Asset Management (UK) Limited.

HSBC uses the ISS to assist with the global application of our voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene our guidelines. HSBC review voting policy recommendations according to the scale of their overall holdings. The bulk of holdings are voted in line with the recommendation based on their guidelines.

The table below, sets out the further details relating to LGIM's voting record for stocks held within each fund held within Pace DC which has exposure to equities for the year to 31 March 2024.

	Pace Growth (Shares) 2021 Fund	**Pace Growth (Mixed) Fund**	**Pace Growth (Ethical Shares) Fund**	**Pace Growth (Shares) Fund**	**Pace Growth (Shariah) Fund***
Size of Co-op Section's holdings as at 5 April 2024.	c£346m	c£385m	c£8.2m	c£0.7m	c£1.1m
Asset Manager	LGIM	LGIM	LGIM	LGIM	HSBC
Number of equity holdings in the fund (at 31 March 2024)	2,229	6,855	1,065	4,692	108
Number of meetings at which asset manager was eligible to vote over the year	3,189	8,965	1,167	7,147	104
Number of resolutions asset manager was eligible to vote on over the year	36,189	91,840	16,564	72,082	1,702
% of resolutions asset manager was eligible to vote on where they exercised that vote	99.9%	99.8%	99.8%	99.9%	96.0%
% of resolutions where asset manager voted for management / voted against management / abstained from voting*	Voted with 78.3% Voted against 21.4% Abstained 0.4%	Voted with 76.7% Voted against 23.1% Abstained 0.2%	Voted with 81.4% Voted against 18.5% Abstained 0.2%	Voted with 80.9% Voted against 18.6% Abstained 0.5%	Voted with 76.0% Voted against 23.0% Abstained 0.0%
% of meetings at which asset manager voted at least once against management	70.0%	73.6%	75.0%	61.5%	82.0%
% of meetings at which asset manager voted against the recommendation of the proxy advisor	14.3%	14.4%	14.1%	10.7%	0.9%

*May not sum due to rounding.

Significant Votes

LGIM

LGIM provide a quarterly ESG impact report, which summarises LGIM's votes together with details of 'significant votes'. These reports are reviewed at quarterly Investment Committee meetings, with any comments or questions fed back to LGIM via the Co-op Pensions Department.

In determining what votes are 'significant', LGIM consider the criteria provided by the Pensions & Lifetime Savings Association guidance, such as:

- A high-profile vote (which may be controversial and therefore subject to a degree of client and/or public scrutiny).
- Significant client interest in a vote: communicated directly by clients to the Investment Stewardship team at LGIM's annual stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote.
- A sanction vote as a result of a direct, or collaborative, engagement.
- A vote linked to an LGIM engagement campaign – in line with the LGIM Investment Stewardship team's five-year engagement policy.

The Trustee and the Co-op Pensions Department have reviewed LGIM's reporting and identified the votes on the following page as 'most significant' using these criteria and considering which votes were most aligned with the Trustee's stewardship priorities as set out above. Note that shares in individual companies will likely be held across multiple funds within the DC Sections.

HSBC

HSBC regard votes against management recommendation as the most significant. With regards to climate, in their engagement HSBC encourage companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Where companies in energy intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, HSBC will generally vote against the re-election of the Chairman. HSBC also generally support shareholder resolutions calling for increased disclosure on climate-related issues.

LGIM

Relevant Stewardship priority	Climate change and the protection of the environment	Climate change and the protection of the environment	Labour conditions and equal pay	Climate change and the protection of the environment	Corporate Governance	Corporate Governance
Asset manager	LGIM	LGIM	LGIM	LGIM	LGIM	LGIM
Company	Toyota Motor Corp.	Shell	Amazon.com, Inc.	McDonald's Corp	Microsoft Corporation	Apple Inc
Date of the vote	14 June 2023	23 May 2023	24 May 2023	25 May 2023	7 December 2023	28 February 2024
Approximate size of the Co-op Section of Pace DC's holding (based on holding at year end)	c£1.2m	c£1.9m	c£0.9m	c£0.5m	c£3.7m	c£2.8m
Summary of the resolution	Shareholder resolution to amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	To approve the Shell Energy Transition Progress report	Shareholder resolution to report on Median and Adjusted Gender/Racial Pay Gaps	Shareholder resolution to adopt Policy to Phase Out Use of Medically-Important Antibiotics in Beef and Pork Supply Chain	Shareholder resolution to report on Risks Related to AI Generated Misinformation and Disinformation	Shareholder resolution to ask Apple to produce a transparency report on the company's use of AI in its business operations and disclose any ethical guidelines that the company has adopted regarding the company's use of AI technology
Why the Trustee considers this vote "significant"	Aligned with the Trustee's engagement priorities; identified as 2023 as one of Pace's top 20 holdings most exposed to deforestation risk.	Aligned with the Trustee's engagement priorities	Aligned with the Trustee's engagement priorities	Aligned with the Trustee's engagement priorities	Aligned with the Trustee's engagement priorities; high profile as an emerging issue	Aligned with the Trustee's engagement priorities; high profile as an emerging issue
How the asset manager voted	In favour (against management)	Against (against management)	In favour (against management)	In favour (against management)	Against	In favour (against management)
Was the voting intention communicated to the company ahead of the vote?	Yes	No	Yes	Yes	No (Voted in line with management)	Yes
Rationale	LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy.	LGIM acknowledges the substantial progress made by the company in meeting its 2021 climate	A vote in favour was applied as LGIM expects companies to disclose meaningful information	The resolution asks McDonald's to adopt a company-wide policy to phase out the use of	Having engaged with Microsoft directly to discuss its approach to the risks described in this	LGIM believes companies should be assessing and mitigating risks associated with AI and providing

	A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM acknowledges the progress that Toyota has made in relation to its climate lobbying disclosure in recent years. However, LGIM believes that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expects Toyota to improve its governance structure to oversee this climate lobbying review. LGIM believes the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.	commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remains 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 1.5C trajectory.	on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as LGIM believes cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.	medically important antibiotics for disease prevention purposes in its beef and pork supply chains and to set targets with timelines, metrics for measuring implementation, and third-party verification. Antimicrobial resistance ('AMR') is a key area of focus within LGIM's approach to health, and LGIM considers AMR to be a systemic risk. In line with the shareholder resolution on AMR (resolution 6) that LGIM has co-filed and LGIM's conviction that AMR is a systemic risk, LGIM consider this a material issue and voted in favour.	resolution, LGIM considers at the present time that the company is a leader in the disclosures, governance processes and mitigation steps it is taking on risks posed by its operations from generative AI. LGIM therefore took the decision not to vote in favour of this shareholder resolution.	transparency to the market on their approach; this applies particularly to those companies that develop AI systems and will shape the way it is used in our economy and society. Apple has announced general plans to further develop its use of generative AI and other AI capabilities; however, the company discloses very little about its approach to managing AI-related risks, nor any principles or guidelines to inform how the company uses AI, putting the company behind its peers and increasing exposure potential regulatory and other risks. LGIM met with the company to discuss these topics, and it did not commit to increasing transparency and disclosures around AI at this time. Apple is among several companies that have outsized influence on the integration of AI into our economy. In line with LGIM's expectations, LGIM believes companies like Apple should be transparent in their uses of AI and their risk management processes.

Outcome	Not passed – 15.1% of voters supported the resolution.	Pass – 80% of voters supported the resolution.	Not passed – 29% of voters supported the resolution.	Not passed – 16.3% of voters supported the resolution.	Not passed – 21.2% of voters supported the resolution.	Not passed – 37.5% of voters supported the resolution.
Does the asset manager intend to escalate the stewardship efforts?	LGIM will continue to engage with the company and monitor progress.	LGIM continues to undertake extensive engagement with Shell on its climate transition plans.	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with Microsoft on this issue as it evolves and as shareholder expectations evolve, too. AI will continue to be an important issue and Microsoft's position as a leader in its industry brings with it the responsibility to take appropriate actions regarding governance, risk and transparency on this issue.	LGIM will continue to engage with the company and monitor progress.

HSBC

Relevant Stewardship priority	Corporate Governance	Corporate Governance
Asset manager	HSBC	HSBC
Company	Novartis AG	Apple Inc
Date of the vote	3 May 2024	28 February 2024
Approximate size of the Co-op Section of Pace DC's holding (based on holding at year end)	c£8k	c£91k
Summary of the resolution	To re-elect Patrice Bula as Director	Report on Median Gender/Racial Pay Gap
Why the Trustee considers this vote "significant"	Aligned with the Trustee's engagement priorities	Aligned with the Trustee's engagement priorities
How the asset manager voted	Against (against management)	In favour (against management)
Was the voting intention communicated to the company ahead of the vote?	No	No
Rationale	HSBC voted against the Nomination Committee Chair as HSBC have concerns about insufficient gender diversity of the board.	HSBC believe that the proposal would contribute to improving gender inequality.
Outcome	Pass	Not passed
Does the asset manager intend to escalate the stewardship efforts?	HSBC will likely vote against a similar proposal should they see insufficient improvements.	HSBC will likely vote against the management for a similar proposal should they see insufficient improvements.