Annual Statement of Investment Principles Implementation Statement

Keysight Technologies UK Limited Pension Scheme ('the Scheme')

Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustees, has been followed during the year to 30 November 2021. This statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as amended, and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

- The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances. The Trustees' primary objective is therefore to make available a range of investment options for this purpose.

- The Trustees undertake to review the Scheme's fund choices offered to members and the investment manager arrangements on a regular basis.

- The Trustees also recognise that, despite encouragement, many members may not believe themselves qualified to make their own investment decision. Therefore, the Trustees have made a default option available for members.

The policies set out in the SIP are intended to help meet the overall investment objectives of the Scheme.

Review of the SIP

The Trustees reviewed the Scheme's SIP during the Scheme year and did not make any changes to the SIP signed on 21 September 2020. No new regulatory requirements were introduced since the last SIP had been agreed and there were no changes to the Scheme's investment strategy during the Scheme year.

Assessment of how the policies in the SIP have been followed for the year to 30 November 2021

The information provided in the following table highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP. The SIP is attached as an Appendix and sets out the policies referenced below.

In summary, it is the Trustees' view that the policies in the SIP have been followed during the Scheme year to 30 November 2021.

	Requirement	Policy/section of the SIP where policy can be found	In the year to 30 November 2021
1	Securing compliance with the legal requirements about choosing investments	*As required by legislation, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited (Section 1.2 of the SIP).*	The Scheme's investment advisors attended all Trustee meetings during the year and provided updates on fund performance and, where required, appropriateness of the funds used. The Scheme's investment advisors provided follow-up discussion papers to the triennial investment strategy review conducted in 2020 at the 26 May, 2 June and 2 September 2021 Trustee meetings. While no new investments were implemented during the course of the Scheme year, the Trustees continue to consider the outcome of this review.
2	Kinds of investments to be held	*Currently the funds available to members' new contributions include equity and bond funds, a cash fund and a diversified growth fund. Legal & General funds are managed predominately on a passive basis; in contrast Schroder and M&G manage the funds on an active basis.* *Members can choose fund(s), and the balance between different kinds of investments, which they deem appropriate to their needs. Members should consider the trade-off between risk and expected return. The balance of investments will determine the expected return on member's assets and should be related to their own risk appetite and tolerances.*	The investments (fund type, management style and asset allocations) used in the default investment option were reviewed as part of the triennial investment strategy review conducted in 2020. No changes were made to the default or fund range during the Scheme year. Therefore, the kinds of investment held in the Scheme and the balance between those investments remain consistent with the SIP. However, the Trustees continue to consider the output of the review from 2020 and any changes agreed will be reflected in the policies in the SIP once implemented.
3	The balance between different kinds of investments		

	Requirement	Policy/section of the SIP where policy can be found	In the year to 30 November 2021
		In addition, members have the option of having their funds invested in a range of "automatic" lifestyle matrices where members' funds are invested in higher risk type funds such as equities and diversified growth funds when members are younger and as the member nears their target retirement age their assets are switched to funds designed to match how members wish to take their benefits (fixed annuity, income drawdown or cash).	
4	Risks, including the ways in which risks are to be measured and managed	*The Trustees have considered investment risk from a number of perspectives in relation to the self-select funds/strategies and default investment option. These are set out in Sections 4 and 5 of the SIP.*	As detailed in the risk table in the SIP, the Trustees consider both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes. The Trustees reviewed the majority of these risks on a quarterly basis during the year as part of their regularly investment performance monitoring. These reviews were provided by the Scheme's investment advisor. The risk register was a standing item at Trustee meetings during the year with risks relating to the monitoring of investments highlighted as key areas of focus.
5	Expected return on investments	*The Trustees make available a range of funds which they believe provide appropriate strategic choices for members' different saving objectives, risk profiles and time horizons. Each fund used in the Scheme has an associated benchmark or target return which the Trustee views as the expected return. Information on the benchmarks and/or targets for the investment options available*	The investment performance was reviewed by the Trustees on a quarterly basis – this included the risk and return characteristics of the default and additional investment fund choices. The investment performance reports provided during the year included how each investment manager was delivering against their specific mandates. In addition,

	Requirement	Policy/section of the SIP where policy can be found	In the year to 30 November 2021
		is noted in the IIPD. The Trustees have regard for the relative investment return, net of fees, and risks that each fund is expected to provide.	the performance of the Pre-Retirement Fund against annuity prices and the performance of the default growth phase against inflation was assessed on a quarterly basis.
6	Realisation of investments	*The assets are invested in daily dealing pooled funds and the investment managers have discretion over the management of assets to ensure sufficient liquidity. These pooled funds are themselves regulated and underlying investments are all mainly in regulated markets, and therefore should be realisable at short notice, based on member or Trustees' demand.*	Following a redemption deferral that has been in place since 2019, the M&G UK Property Fund closed with effect from 31 October 2021. As underlying property assets are sold, funds will be paid on a pro-rata basis to all investors. The first payment was received by the Scheme in December 2021. The Trustees, following advice from the investment advisers, decided that the funds received from M&G would be reinvested automatically in the Schroders Diversified Growth Fund. The Trustees continue to work with the Scheme administrator to transfer assets as smoothly as possible to the Schroders DGF as pro-rata disinvestments are being received from M&G. They have built an action plan to reinvest proceedings in a timely manner and distribute all payments fairly between members. The Trustees issued a communication to all affected members in December 2021. There were no changes to the liquidity of the other funds used by the Scheme during the year and this liquidity reflects the policy in the SIP.

	Requirement	Policy/section of the SIP where policy can be found	In the year to 30 November 2021
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	*The risks identified in the Section 4 of the SIP are considered by the Trustees to be 'financially material considerations'. The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their selected retirement age. It is for this reason that a number of lifestyle options have been made available for members.* *The Trustees' policy on ESG, Stewardship and Climate Change is set out in Section 8 of the SIP.*	A number of the key investment risks identified in the SIP were measured and managed, as part of reviewing investment performance at Trustee meetings. A more strategically focused assessment of the default investment option formed part of investment strategy review in 2020, the outcome of which is still being considered by the Trustees.
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	*Non-financial matters, including member views, are not taken into account in the selection, retention and realisation of investments. However, the Trustees have made available a UK Ethical Equity fund as a self-select option for members. The underlying investments of this fund exclude companies involved in business activities that do not comply with a range of ethical and environmental guidelines.*	No changes were made during the year to this policy and reflects current practice. The UK Ethical Equity fund remains a self-select option for members.
9	The exercise of the rights (including voting rights) attaching to the investments	*Set out in Section 8 of the SIP. In summary, the Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.*	The Scheme invests solely in pooled funds. The Trustees have delegated their voting rights to the investment managers and also expect their investment managers to engage with the investee companies on their behalf. There has been no significant change in this policy during the year and the policy reflects current practice.
10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustee would monitor and		

	Requirement	Policy/section of the SIP where policy can be found	In the year to 30 November 2021
	engage with relevant persons about relevant matters)		However, the Trustees have requested key voting activities for both LGIM and Schroders during the Scheme year in order to consider this, and the information received is summarised in the Engagement Policy Statement that follows.
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees' policies.	*Section 10.1 and 10.2 of the SIP.*	No changes during the year to this policy and reflects current practice.
12	How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	*Section 10.3 of the SIP.*	No changes during the year to this policy and reflects current practice.
13	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies.	*Section 10.4 of the SIP.*	No changes during the year to this policy. The Trustees have reviewed both short term and longer term investment performance on a quarterly basis at Trustee meetings during the year. The extent to which the aims and objectives of the default arrangement were being met was also assessed as

	Requirement	Policy/section of the SIP where policy can be found	In the year to 30 November 2021
			part of the investment review undertaken in the previous Scheme year. The Scheme investment advisors benchmark the investment management fees paid by members of the Scheme on an annual basis. This annual benchmarking was undertaken and discussed at the Trustee meeting held in November 2021. No issues were identified.
14	How the Trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	*Section 10.5 of the SIP.*	No changes during the year to this policy. Transaction costs, where available, were included in the value for members assessment for the year to 30 November 2021. The Trustees do note a number of challenges in assessing these costs: • No industry-wide benchmarks for transaction costs exist. • The methodology can leads to some unexpected results, most notably “negative” transaction costs. • Explicit elements of the overall transaction costs are already taken into account when investment returns are reported, so any assessment must also be mindful of the fact that these explicit elements have been factored into investment returns. However, the Trustees will continue to monitor transaction costs on an annual basis and

	Requirement	Policy/section of the SIP where policy can be found	In the year to 30 November 2021
			developments on effective ways to assess these costs. In the year to 30 November 2021, the Trustees have not queried portfolio turnover costs with the managers.
15	The duration of the arrangement with the asset manager	*Section 10.6 of the SIP.*	No changes during the year to this policy. There remains no set duration for the investment manager appointments.

Engagement policy statement

Section 8 of the SIP sets out the Trustees' policy on ESG factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by their investment advisors on responsible investment which covered ESG factors, stewardship, climate change and non-financially driven, beliefs-based investing (which can be referred to as "ethical" investment). This training was provided in March 2019 with the Trustees undertaking an ESG and responsible investment beliefs survey in May 2019. The results of this survey were tabled at the 11 June 2019 Trustee meeting and assisted the Trustees in producing their policies in this area. There were no material changes to the beliefs or the policies during the Scheme year covered by this statement.

Voting Activity during the Scheme year

The Trustees have delegated their voting rights to the investment managers. The SIP states *"The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code".*

It is the Trustees' view that the policy has been followed during the Scheme year.

Over the prior 12 months, the Trustees have not actively challenged the manager on its voting activity. The Trustees do not use the direct services of a proxy voter.

The majority of voting activity will arise in public equity funds. However, voting opportunities may arise in other asset classes such as certain bonds, property, private equity and multi-asset funds. However, the Trustees have only received information relating to public equity funds this year.

The Scheme invests in the following daily dealt and daily priced pooled funds as detailed below. The funds highlighted in **bold** hold equities:

Investment Manager	Fund name
Legal & General Investment Management ('LGIM')	**Ethical UK Equity Index Fund**
LGIM	**UK Equity Index Fund ***
LGIM	**World (ex UK) Equity Index ***
LGIM	Pre-Retirement Fund
LGIM	Over 5 Year Index Linked Gilts Fund
LGIM	Cash Fund
Schroders	**Diversified Growth Fund**
M&G	Property Fund**

*LGIM Global Equity 30:70 Index Fund is composed of: World (ex UK) Equity Index (70%) and UK Equity Index Fund (30%)

** The fund is closed with effect from 31 October 2021.

Overview of LGIM's approach to voting and engagement

LGIM's policy on consulting with clients before voting

LGIM's voting and engagement activities are developed and carried out by investment specialists who have a focus on ESG considerations, and their assessment of the requirements in these areas "seeks to achieve the best outcome for all their clients". Their voting policies are reviewed annually and take into account feedback from their clients where this has been provided.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and other investors) are invited to express their views directly to the members of the LGIM Investment Stewardship team. The views expressed by attendees during this event form a key consideration as they continue to develop their voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

LGIM's process for deciding how to vote

All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This aims to ensure their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Proxy voting services

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that LGIM receive from ISS for UK companies when making specific voting decisions

To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

Processes for determining the most significant votes

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual stakeholder roundtable event, or where they note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

LGIM will provide information on significant votes in the format of detailed case studies in their quarterly ESG impact report and annual active ownership publications.

LGIM publicly disclose their votes for the major markets on their website. The reports are published in a timely manner, at the end of each month and can be used by clients for their external reporting requirements.

Source: LGIM

Overview of voting activity, on behalf of the Trustees, for the LGIM funds containing equity for the 12 months to 31 December 2021

The Trustees have been provided with the voting disclosures relating to the Ethical UK Equity Index Fund, UK Equity Index Fund, and World (ex UK) Equity Index Fund. LGIM provide voting disclosures on a quarter end basis so the Trustees have only been able to obtain information relating to the year end 31 December 2021 rather than the Scheme year to 30 November 2021.

Fund	Ethical UK Equity Index	UK Equity Index	World (ex UK) Equity Index
Number of meetings eligible to vote at over year to 31 December 2021	256	713	2,493
Number of resolutions eligible to vote on over year to 31 December 2021	4,133	9,987	29,156
Percentage of resolutions voted on where eligible	100.00%	100.00%	99.81%
Of the resolutions voted on, percentage voted with management	93.76%	92.82%	78.90%
Of the resolutions voted on, percentage voted against management	6.24%	7.18%	20.23%
Of the resolutions voted on, percentage abstained	0.00%	0.00%	0.88%

Source: LGIM. Some figures may not sum due to rounding.

The Trustees have not been provided with voting disclosures relating to the LGIM Over 5 Year Index-Linked Gilts Fund, LGIM Cash Fund and LGIM Pre-Retirement Fund. However, given the nature of these investments, voting rights on the underlying assets would be unusual.

Significant votes undertaken in the LGIM funds containing equity for the 12 months to 31 December 2021

The information in this section has been provided directly from LGIM and contains their rationale on determining how to vote (note, ‘we’ and ‘our’ represent LGIM’s views in the tables below). LGIM have provided detail on a relatively large number of significant votes and we were unable to include all of them in this document. The Trustees have therefore selected a small number of example of these votes covering various environmental, social and governance issues.

Significant vote #1	
Funds that vote is relevant to	**Ethical UK Equity Index Fund** **UK Equity Index Fund**
Company	**Informa Plc**
Items	**Resolution 3: Re-elect Stephen Davidson as Director, Resolution 5: Re-elect Mary McDowell as Director, Resolution 7: Re-elect Helen Owers as Director, Resolution 11: Approve Remuneration Report**
Date	6 March 2021
Criteria for assessing as significant	LGIM consider this vote to be significant as they took the rare step of publicly pre-declaring it before the shareholder meeting. Publicly pre-declaring their vote intention is considered to be an important tool for LGIM’s engagement activities. LGIM decide to pre-declare their vote intention for a number of reasons, including as part of their escalation strategy, where they consider the vote to be contentious, or as part of a specific engagement programme.
Vote	Against Resolutions 3, 5, 7, and 11
LGIM’s Rationale	The company’s prior three Remuneration Policy votes – in 2018, June 2020, and at a General Meeting that was called in December 2020 – each received high levels of dissent, with 35% or more of votes cast against. At the December 2020 meeting, the Remuneration Policy and the Equity Revitalisation Plan (EVP) received over 40% of votes against. The EVP was structured to award the CEO restricted shares to a value of 600% of salary. LGIM has noted their concerns with the company’s remuneration practices for many years. Due to continued dissatisfaction, they again voted against the proposed Policy at the December 2020 meeting. However, despite significant shareholder dissent at the 2018 and 2020 meetings, the company implemented the awards under the plan, a few weeks after the December meeting. Additionally, the Remuneration Committee has adjusted the performance conditions for the FY2018 long-term incentive plan (LTIP) awards while the plan is running, resulting in awards vesting where they would otherwise have lapsed. Due to consistent problems with the implementation of the company’s Remuneration Policy and the most recent events as described above, LGIM has voted against the Chair of the

	Remuneration Committee for the past three years. Given the company has implemented plans that received significant dissent from shareholders without addressing persistent concerns, LGIM has taken the decision to escalate their vote further to all incumbent Remuneration Committee members, namely Stephen Davidson (Remuneration Committee Chair), Mary McDowell and Helen Owers. Over the past few years, LGIM have been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair: an independent non-executive director, was also recently appointed by the board. He will be starting his new role in January 2022.
Outcome	Resolution 3: 53.4% of shareholders supported the resolution. Resolution 5: 80% of shareholders supported the resolution. Resolution 7: 78.1% of shareholders supported the resolution. Resolution 11: 38.3% of shareholders supported the resolution.

Significant vote #2	
Funds that vote is relevant to	**Ethical UK Equity Index Fund** **UK Equity Index Fund**
Company	**4imprint Group Plc**
Items	**Resolution 7: Re-elect Paul Moody as Director**
Date	18 May 2021
Criteria for assessing as significant	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets they manage on their behalf.
Vote	Against
LGIM's Rationale	LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf. For 10 years, they have been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance, they apply voting sanctions to those FTSE 350 companies that do not have a minimum of 30% women on the board. They also apply voting sanctions to the FTSE 100 companies that do not have 30% women on their executive committee. For smaller companies they expect at least one woman at board level.
Outcome	96.2% of shareholders supported the resolution.

Significant vote #3	
Funds that vote is relevant to	**UK Equity Index Fund**
Company	**Imperial Brands plc**
Items	**Resolutions 2 and 3, respectively: Approve Remuneration Report and Approve Remuneration Policy**
Date	3 February 2021
Criteria for assessing as significant	LGIM are concerned over the ratcheting up of executive pay; and they believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set.
Vote	Against both resolutions
LGIM's Rationale	The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, LGIM said they would expect companies to adopt general best practice standards. Prior to the AGM, LGIM engaged with the company outlining what their concerns over the remuneration structure were. They also indicated that they publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with their thinking.
Outcome	Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support.

Significant vote #4	
Funds that vote is relevant to	**UK Equity Index Fund**
Company	**Georgia Capital Plc**
Items	**Resolution 3: Re-elect Irakli Gilauri as Director**
Date	25 May 2021
Criteria for assessing as significant	LGIM considers this vote to be significant as it is an 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).
Vote	Against
LGIM's Rationale	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 LGIM's website), and they have reinforced their position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.
Outcome	95.8% of shareholders supported the resolution.

Significant vote #5	
Funds that vote is relevant to	**UK Equity Index Fund**
Company	**Domino's Pizza Group Plc**
Items	**Resolution 5: Re-elect Matt Shattock as Director**
Date	22 April 2021
Criteria for assessing as significant	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.

Vote	Against
LGIM's Rationale	The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.
Outcome	91.8% of shareholder supported the resolution.

Significant vote #6	
Funds that vote is relevant to	**World (ex UK) Equity Index Fund**
Company	**Facebook, Inc.**
Items	**Resolution 1.9: Elect Director Mark Zuckerberg**
Date	26 May 2021
Criteria for assessing as significant	LGIM considers this vote to be significant as it is an 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).
Vote	Withhold
LGIM's Rationale	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 they 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 LGIM's website), and they have reinforced their position on leadership structures across stewardship activities – e.g. via individual corporate engagements and director conferences.
Outcome	97.2% of shareholders supported the resolution.

Significant vote #7	
Funds that vote is relevant to	**World (ex UK) Equity Index Fund**
Company	**Intel Corporation**
Items	**Resolution 5: Report on Global Median Gender/Racial Pay Gap**
Date	13 May 2021
Criteria for assessing as significant	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.
Vote	For
LGIM's Rationale	Transparency: A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf. For 10 years, LGIM have been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance, they expect all companies in which they invest globally to have at least one female on their board. They have stronger requirements in the UK, North American, European and Japanese markets, in line with their engagement in these markets.
Outcome	14.3% of shareholders supported the resolution.

Significant vote #8	
Funds that vote is relevant to	**World (ex UK) Equity Index Fund**
Company	**Adevinta ASA**
Items	**Resolution 4: Accept Financial Statements and Statutory Reports**
Date	29 June 2021
Criteria for assessing as significant	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.
Vote	Against

LGIM's Rationale	The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.
Outcome	N/A - LGIM will continue to engage with the company and monitor progress.

Significant vote #9	
Funds that vote is relevant to	**World (ex UK) Equity Index Fund**
Company	**BB Seguridade Participacoes SA**
Items	**Resolution 1: Accept Financial Statements and Statutory Reports for Fiscal Year Ended Dec. 31, 2020**
Date	29 April 2021
Criteria for assessing as significant	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.
Vote	Against
LGIM's Rationale	The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.
Outcome	95.4% of shareholder supported the resolution.

Significant vote #10	
Funds that vote is relevant to	**World (ex UK) Equity Index Fund**
Company	**IR Japan Holdings Ltd.**
Items	**Resolution 1: Amend Articles to Allow Virtual Only Shareholder Meetings**
Date	10 June 2021
Criteria for assessing as significant	This was a high profile vote where the company proposed a change in articles to allow virtual-only AGMs beyond the temporary regulatory relief effective for 2 years from June 2021.

Vote	Against
LGIM's Rationale	A vote AGAINST this proposal is warranted because: - Japanese companies are able to hold virtual meetings using temporary regulatory relief (without amending articles) for two years, but the passage of this proposal will authorise the company to hold virtual meetings permanently, without further need to consult shareholders, even after the current health crisis is resolved. - The proposed language fails to specify situations under which virtual meetings will be held, raising concerns that meaningful exchange between the company and shareholders could be hindered, especially in controversial situations such as when shareholder proposals are submitted, a proxy fight is waged, or a corporate scandal occurs.
Outcome	89.5% of shareholders supported the resolution.

Source: LGIM

Overview of Schroders’ approach to voting and engagement

Schroders’ policy on consulting with clients before voting

Schroders corporate governance analysts input votes based on their proprietary research in line with Schroders’ house voting policy and do not take voting instructions from clients. Schroders report on their voting decisions with rationales on their website.

Schroders’ process for deciding how to vote

As active owners, Schroders recognise their responsibility to make considered use of voting rights. Schroders therefore vote on all resolutions at all AGMs/EGMs globally unless they are restricted from doing so (e.g. as a result of share blocking).

Schroders aim to take a consistent approach to voting globally, subject to regulatory restrictions, that is in line with their published ESG policy.

The overriding principle governing their voting is to act in the best interests of their clients. Where proposals are not consistent with the interests of shareholders and their clients, Schroders are not afraid to vote against resolutions. Schroders may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues.

Schroders evaluate voting resolutions arising at their investee companies and, where they have the authority to do so, vote on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients. The Corporate Governance specialists assess each proposal, applying their voting policy and guidelines (as outlined in their Environmental, Social and Governance Policy) to each agenda item. In applying the policy, Schroders consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Their specialists will draw on external research, such as the Investment Association’s Institutional Voting Information Services and ISS, and public reporting. Schroders’ own research is also integral to their process; this will be conducted by both their financial and Sustainable Investment analysts. For contentious issues, their Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders also engage with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders.

To provide one example, Schroders engaged with Tencent, asking the company to improve disclosure on governance, oversight and grievance mechanisms in relation to data privacy. They also asked the company to give users more control over their information. Tencent launched a dedicated privacy site to centralise privacy information after the engagement. Tencent also launched a user privacy centre for all apps, which allows you to see and alter third party access to users’ information, targeted advertising, location data, etc.

In 2021, Schroders were eligible to vote in 2,023 meetings on 23,597 resolutions and voted on approximately 94.5% of total resolutions across all their funds. In 45% of meetings they voted against management at least once. Overall, they voted against management on 8.4% of resolutions. Detailed information on the voting activity relating to the Diversifed Growth Fund is provided below.

Proxy voting services

Institutional Shareholder Services (ISS) act as their one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through their Internet-based platform Proxy Exchange. Schroder's receives ISS's research on resolutions. This is complemented with analysis by their in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. For our smallest holdings in the US, Hong Kong, Japan, Australia and New Zealand, ISS implements a custom Schroders voting policy for Schroders, with only a few resolutions referred to Schroders for a final decision.

ISS automatically votes all their holdings of which Schroders own less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions. This ensures consistency in their voting decisions as well as creating a more formalised approach to their voting process.

Processes for determining the most significant votes

Schroders consider "most significant" votes as those against company management.

They also believe resolutions related to certain topics carry particular significance. They rank the significance of votes against management, firstly by management say on climate votes, secondly environmental and social shareholder resolutions, thirdly any shareholder resolutions and finally by the size of our holding.

Source: Schroders

Overview of voting activity, on behalf of the Trustees for the Schroders Diversified Growth Fund for the 12 months to 30 November 2021

Schroders have provided information on voting and engagement activity for the year to 31 November 2021.

Schroders have confirmed that in respect of the equity holdings in the Diversified Growth Fund they were **eligible to vote at 126 meetings** and on **1,728 resolutions in the year to 30 November 2021**. Schroders **voted at 121 meetings (c. 96% of all)** and **on 1,618 proposals (c. 94% of all)**.

Schroders **voted against management on 5.9% of all proposals.** Below provides an overview of how Schroders voted.

	Total	Percentage
Votable Proposals	**1,728**	**100.00%**
Proposals Voted	1,618	93.63%
FOR Votes	1,513	87.56%
AGAINST Votes	91	5.27%
ABSTAIN Votes	1	0.06%
WITHOLD Votes	13	0.75%
Proposals not voted (incl. “Do Not Vote” instructions)	110	6.37%
Votes WITH Management	1,516	87.73%
Votes AGAINST Management	102	5.90%
Votes WITH Policy	1,571	90.91%
Votes AGAINST Policy	47	2.72%

In terms of engaging with companies, Schroders confirmed that there were 670 engagements discussing 892 topics over 12 months to 31 December 2021. 9% of these were social, 29% environmental and 62% governance engagements.

Significant votes undertaken by Schroders in relation to the equity holding in the DGF for the 12 months to 30 November 2021

As noted previously, Schroders consider "most significant" votes as those against company management. This means there is a relatively large number of “significant votes” made by Schroders during the year. As such, the Trustees have presented a selection of votes against management based on information provided by Schroders.

Company Name	Country and Date of Meeting	Proposal	Vote and Rationale
Lundin Energy AB	Sweden, 30 March 2021	Instruct Company to Disclose All Current and Projected Direct and Indirect Costs Connected with Legal Defence	**FOR** (against management) - Schroders are supportive of the increased transparency.
Booking Holdings Inc.	United States of America, 3 June 2021	Annual Investor Advisory Vote on Climate Plan	**FOR** (against management) - The company is being asked to provide shareholders with the opportunity of an annual advisory vote on the company's climate-related policies and strategies. Schroders support this resolution as they believe it would be beneficial for shareholders to have a say on the company's approach to climate change.
Delta Air Lines, Inc.	United States of America, 17 June 2021	Report on Climate Lobbying	**FOR** (against management) - The resolution asks the company to produce a report, within the next year, describing how the company's lobbying activities are aligned with the Paris Climate Agreement. The airline industry is likely to come under increasing regulatory pressure to reduce its emissions in the coming years, we therefore welcome greater transparency around the Group's climate-related lobbying efforts. A vote for is warranted.
The TJX Companies, Inc.	United States of America, 8 June 2021	Report on Animal Welfare	**AGAINST** (against management) - This repeat proposal requested that the company commission an independent analysis assessing its vendor policies covering animal welfare risks throughout its supply chain and that it should report its finding to shareholders by September 2021. The company does not manufacture any private label and already has a global fur policy, so support for this resolution was not warranted.

Source: Schroders