Ulster Carpets Merged Pension Plan
("the Plan")

Statement of Investment Principles

as Required by the Pensions Act 1995 and the Pension Act 2004

September 2023

The Trustee confirms that the following matters have been taken into account when preparing this Statement of Investment Principles:

The Trustee has considered written advice from the Investment Consultant prior to the preparation of this Statement and has consulted Ulster Carpet Millis (Holding) Limited, the Principal Employer, before agreeing this Statement and the investment strategy outlined in this document.

All day to day investment management decisions have been delegated to Investment Managers where the Investment Managers are authorised and regulated by the Financial Conduct Authority.

The Trustee has full regard to its investment powers under the Trust Deed and Rules and the suitability of types of investments, the need to diversify, the custodianship of assets and any self-investment.

The Investment Manager will continue to prepare detailed quarterly reports on its activities and the Trustee will meet with representatives of the Investment Manager as required.

This Statement of Investment Principles will be reviewed at least every three years or whenever changes to the principles or strategy are necessary. Any changes to this Statement will be undertaken having taken advice, as appropriate, and following consultation with the Principal Employer.

1. General

This statement sets out the principles governing decisions about the investment of the assets of the Ulster Carpets Merged Pension Plan (the "Plan"). It has been prepared on behalf of the Trustee to comply with section 35 of the Pensions Act 1995 (the "Act") as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustee reviews the Plan's investment strategy at least every three years, following each formal actuarial valuation of the Plan (or more frequently should the circumstances of the Plan change in a material way).

2. Consulted Parties

As required under the Act, the Trustee has consulted a suitably qualified person in obtaining written advice from Isio Total Reward and Benefits Limited ("Isio") on the suitability of the investments, the need for diversification and the principles contained in this Statement. Isio is authorised and regulated by the Financial Conduct Authority ("FCA").

The Trustee, in preparing this Statement, has also consulted Ulster Carpet Millis (Holding) Limited, the Principal Employer (the "Company") in particular on the Trustee's objectives and investment strategy.

3. Investment Powers

The Trustee recognises that the assets must be invested in the best interests of members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of members and beneficiaries. The Trustee has overall responsibility for the prudent management of the Plan's assets. The strategic management of the Plan assets is fundamentally the responsibility of the Trustee, acting on advice from Isio, and is driven by its investment objectives as set out in Section 4 below.

The remaining elements of policy are part of the day-to-day management of the assets that is delegated to the professional investment manager, Legal & General Assurance (Pensions Management) Limited where the management of the assets is undertaken by Legal & General Investment Management ("LGIM" or the "Investment Manager"), who is authorised and regulated by the FCA.

4. Investment Objectives

The Trustee's primary objectives for setting the investment strategy of the Plan are set out below:

- "funding objective" - to ensure that the Plan is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Company;

- "security objective" – to ensure that the solvency position of the Plan (as assessed on a prudent basis) is expected to improve.

- "stability objective" – to have due regard to the Company's ability in meeting its contribution payments given its size and incidence, and to have due regard to the volatility of measures of funding and security; and

- "liquidity objective" – to ensure, that over the shorter-term, the Plan's income and cash holdings, including contributions and investment income, will meet expenditure, for example on the provision of benefits and administration services except when exceptional payments are needed, such as members taking cash sums at retirement.

The investment arrangements outlined in Sections 6 & 7 have been designed with these considerations in mind.

5. Choosing investments

The Trustee recognises that there are two main factors driving the investment characteristics of the pension liabilities:

- Firstly, the actuarial calculation of the liabilities of the Plan uses a discount rate linked to bond rates and thus investments in similar bonds would result in asset values moving in a similar pattern - "matching assets"; and

- Secondly, the liabilities include those increased annually for inflation (with some caps). Thus these individual liabilities have a direct link to inflation i.e. they are "real" liabilities as opposed to "nominal" liabilities.

Therefore, it is considered that the best "matching assets" for the liabilities are a mixture of nominal and index-linked bonds of appropriate durations. Such a portfolio of assets could be considered a "minimum risk" portfolio.

However, the concurrent existence of a funding deficit within the Plan and the support of a sponsor are considered to justify a departure from a "minimum risk" position by investing, to a degree, in return seeking assets in the interim until relative market pricing and funding levels permit a reduction in the level of investment risk. The Trustee works with the Scheme Actuary and the investment consultant to decide what degree of risky assets are appropriate at each given point in time.

In addition, the Trustee recognises the "regret risk" associated with not holding return seeking investments over the longer term. Consequently, the Trustee feels that some equities, and other growth assets, are appropriate in an effort to improve the ongoing and solvency positions and to reduce the reliance on the Company's contributions to fund liabilities. However, both the Trustee and the Company recognise that holding return seeking assets will bring increased volatility of sponsor contribution requirements in anticipation of reduced costs in the long term.

6. Strategic Investment Benchmark

The Trustee has put in place the following strategic investment strategy for the Plan:

Asset Class	Fund	%
UK Equities	LGIM UK Equity Index Fund	10
Overseas Equities	LGIM World (ex UK) Developed Equity Index Fund (GBP currency hedged)	35
Corporate Bonds	LGIM Buy & Maintain Credit Fund	20
Liability Driven Investments (LDI)	LGIM Matching Core Funds LGIM Sterling Liquidity Fund	25
Secure Income	LGIM Secure Income Assets Fund	10
Total		**100**

All investments to be held are to be managed by an FCA authorised and regulated investment manager.

7. Performance Benchmark and Expected Return on Investments

The Trustee expects the performance of the Funds to match the benchmarks as detailed below:

Asset Class	Benchmark Index
LGIM UK Equity Index Fund	FTSE All Share
LGIM World (ex UK) Developed Equity Index Fund (GBP currency hedged)	FTSE Developed World (ex UK) Index – GBP Hedged
LGIM Buy & Maintain Credit Fund	Custom benchmark
LGIM Matching Core Funds	Custom benchmark
LGIM Secure Income Assets Fund	Custom benchmark

LGIM's objective for all of the funds invested in is to achieve the performance of the relevant benchmark within an appropriate tolerance range.

The investment strategy was formed with a view to likely returns on various asset classes over the long term. The assumptions and beliefs concerning investment risk and returns, on which the benchmark and investment management policy are based, are reviewed regularly by the Trustee.

8. Realising investments and rebalancing

In general, the Investment Manager has discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments.

As the Plan is currently cashflow negative, there is generally a need to realise investments for cashflow purposes. Where possible, income distributions received from the investments to be used as the primary source of cashflows. Additionally the Trustee will disinvest (or invest) assets in order to hold an appropriate short-term cash reserve to fulfil its liquidity objective; these cashflows will be used to partially rebalance towards its strategic benchmark.

Separate rebalancing between asset classes will be undertaken from time-to-time based on advice from the Trustee's investment advisor.

When rebalancing using cashflows or to move back towards the strategic benchmark, the LDI funds will generally not be rebalanced as this would alter the level of hedging that the Plan is exposed to. The level of investment in the LDI portfolio will be considered as part of larger strategic reviews of the Plan's investment strategy.

9. Risk

In determining its investment policy, the Trustee has considered the following risks:

- *the risk of failing to meet the objectives set out in Section 4* – the Trustee will regularly take advice and monitor the investments to mitigate this risk;

- *funding and asset and liability mismatch risk* – the Trustee addresses this through the asset allocation strategy and through regular actuarial and investment reviews;

- *underperformance risk* – this is addressed through investment in passive funds, monitoring the performance of the Investment Manager(s) and taking necessary action when this is not satisfactory;

- *risk of inadequate diversification or inappropriate investment* – the Trustee addresses this by investing in a diversified portfolio of assets thereby avoiding concentration of assets in one particular stock or sector;

- *organisational risk* – this is addressed through regular monitoring of the Investment Manager;

- *sponsor risk* – the Trustee seeks to maximise overall investment returns subject to an acceptable level of risk and, as far as possible, are mindful of the impact of any volatility on the rate of contribution; and

- *liquidity risk* – the Trustee may need to pay pension and lump sum benefits in the short-term and, therefore, address this risk by investing an appropriate amount in assets that are realisable at relatively short notice. In practice, all of the funds invested in by the Plan provide at least weekly liquidity. The Plan also aims to maintain a sufficient allocation to liquid assets to meet regulatory guidance around providing collateral to the Investment Manager.

- *credit and market risks* – the Trustee accepts a degree of each of these risks in the expectation of being rewarded by excess returns. The degree to which these risks are currently exposed to is expanded on further below.

The Trustee will monitor these risks from time-to-time, particularly those deemed to have high likelihood or significant adverse impact, and will look to introduce further control measures as appropriate to contain the overall level and distribution of risks to within acceptable limits.

10. Environmental, social and governance (ESG) policies and voting rights

When setting investment strategy and selecting investments, the Trustee's first priority is the financial interests of the members. The Trustee regularly reviews the return objectives, risk characteristics, investment approach and investment guidelines of each of the Plan's current investments. The Trustee is satisfied that all existing fund investments fulfil the needs of their target investment strategy and by extension, that the Investment Manager is managing the Plan's assets in a manner which is consistent with the objective to provide members' benefits.

The Trustee acknowledges that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Plan's investments and the likelihood that the Plan's objectives will be achieved. In addition, the Trustee recognises the importance of ESG factors on long term investment performance and both immediate and future downside risks. However, to confirm, the Trustee's policy is not to take into account non-financial matters in the selection, retention, and realisation of investments. Therefore, no consideration has been given to non-financial matters, nor has the Plan's membership been consulted on such issues.

As the Plan's assets are invested in pooled funds the Trustee is restricted in its ability to directly influence its Investment Manager on the ESG policies and practices of the companies in which the pooled funds invest. It is the Investment Manager that is responsible for the policy on taking ESG considerations into account and that is responsible for the exercise of rights (including voting rights) attaching to these investments. The Trustee expects the Plan's Investment Manager to integrate ESG factors into the decision making process when selecting, retaining and realising investments and for this to be reported to the Trustee.

Further the Trustee's policy is to invest the Plan's equity and bond assets on a passive basis. The Trustee recognises the restrictions on the Investment Manager to take account of social, environmental or ethical considerations in the selection, retention and realisation of investments given that a passive or index tracking approach is adopted. However, it is the Trustee's policy to give discretion to the passive investment manager to pursue a policy of engagement with companies. The extent to which ESG considerations are taken into account is therefore left to the discretion of the passive investment manager but the Trustee does expect the Investment Manager to use its voting rights and to actively engage with the senior management of the companies in which it invests in order to encourage positive ESG change.

The Trustee's policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Plan's interests in the investments, having regard to appropriate advice. The Trustee expects the Investment Manager to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments. The Trustee believes that such engagement will protect and enhance the long-term value of its investments.

The Trustee recognises the importance of regular monitoring of the Investment Manager's performance, remuneration and compliance against ESG policy to ensure that the Plan's assets are being managed appropriately. The Trustee believes that regular monitoring ensures that key risks to longer term performance, including those relating to ESG factors, are quickly identified and concerns communicated with the relevant investment manager.

The Trustee therefore has an appropriate monitoring framework to ensure the Plan's Investment Manager is regularly reviewed. This is to promote greater transparency in understanding the reasons behind performance trends and key risk exposures and engagement activity and compliance with the Trustee's stated ESG policy. Regular monitoring, with specific reference to ESG factors should incentivise the Plan's Investment Manager to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.

The Investment Manager will undertake appropriate monitoring of current investments with regard to its policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and climate change.

The Trustee has delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the Investment Manager. The Trustee expects the Investment Manager to provide regular updates on how they exercise those rights and what impact on the portfolio they might have including reporting on how it exercises voting rights and actively engages with the companies in which it invests, including how often it votes against company proposals. The Trustees expect the Plan's Investment Manager to provide regular updates on how it exercises voting rights and actively engages with the companies in which it invests, including how often it votes against company proposals. The Trustee will review this on a regular basis in line with its monitoring policy mentioned above.

If the Trustee believes that the Plan's Investment Manager is no longer acting in accordance with the Trustee's policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustee will take the following steps:

- engage with the Investment Manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and
- if necessary, look to appoint a replacement Investment Manager or managers which are more closely aligned with the Trustees' policies and views.

The Trustee believes that this approach will incentivise the Investment Manager to align its actions with the Trustee's policies.

In addition to performance measures, the Trustee will review the engagement activity of the Investment Manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The remuneration of the investment manager is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustee will review and replace the Investment Manager if net of fees investment performance and ESG practices are not in line with the Trustees' expectations and views. This incentivises the investment manager to act responsibly.

11. Governance

The Trustee of the Plan is responsible for the investment of the Plan's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether the Trustee directors have the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

Trustee • Select and monitor planned asset allocation strategy; • Select and monitor investment advisers and fund managers; • Select and monitor direct investments; • Responsible for all aspects of the investments of the Plan's assets, including implementation.
Investment Adviser • Advises on this statement; • Advises the Trustees on areas of strategy, manager selection and implementation as required; • Provides required training when engaged on a separate basis by the Trustee.
Fund Managers • Operate within the terms of this statement and their written contracts; • Select individual investments with regard to their suitability and diversification.

The Pensions (Northern Ireland) Order 1995, amended by the Pensions (Northern Ireland) Order 2005, distinguishes between investment where the management is delegated to a fund manager within a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustee's policy is to review their direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager.

The written advice will consider the suitability of the investments, the need for diversification and the principles contained in this statement. Isio was appointed to provide investment advisory services including the provision of this advice.

The Trustee recognises that, as the Plan is invested in a range of pooled funds, there is limited scope to influence the controls and restrictions used in the management of the underlying assets and acknowledge that derivatives may be used by the manager within the funds.

Legal & General's objective is to invest so as to replicate the benchmark index and its performance.

The Trustee has delegated all day-to-day decisions about the investments that fall within the mandate to the fund manager through a written contract. These duties include:

- Realisation of investments;
- Taking into account socially responsible factors;
- Voting and corporate governance in relation to the financial potential of the Plan's assets.

The Trustee expects the fund manager to manage the assets delegated to them under the terms of their contract and to give effect to the principles in this statement so far as is reasonably practicable.

The Trustee, with guidance from their Investment Advisor, has chosen to invest in open-ended pooled funds. For open ended pooled funds the Trustee's policy is to enter arrangements with no fixed end date. However, in this case the Trustee will seek to enter arrangements where it has the power to terminate these in line with the liquidity of the underlying assets and as agreed in the mandate. The Plan's open ended investments are weekly dealt. The Trustee will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of managers' performance against objectives. The Trustee may also elect to terminate the arrangement with the investment manager when performing ongoing reviews of the suitability of the Plan's asset allocation over time.

12. Custodian

The Plan's investments are accessed via insurance policies. The investments in pooled pension funds are a share (measured in units) of larger pools of investments managed by Investment Managers. The custodianship arrangements are those operated by LGIM for all clients investing in the relevant pooled funds. The Investment Managers are expected to provide a statement of the security of the underlying assets annually.

13. Fees

LGIM levies the following annual management charges:

LGIM UK Equity Index Fund	
For the first £10m	0.10% p.a.
For the next £10m	0.075% p.a.
LGIM World (ex-UK) Developed Equity Index Fund – GBP Currency Hedged	
For the first £5m	0.225% p.a.
For the next £10m	0.195% p.a.
LGIM Buy & Maintain Credit Fund	0.15% p.a.
LGIM Matching Core Funds	0.24% p.a.
LGIM Sterling Liquidity Fund	
For the first £5m	0.125% p.a.
For the next £10m	0.10% p.a.
LGIM Secure Income Assets Fund	0.35% p.a.

The Trustee reviews the fees charged by its Investment Manager on a bi-annual basis as part of its monitoring framework to ensure fees remain reasonable in the context of the Plan's size and complexity.

The Trustee reviews investment manager costs and charges (including portfolio turnover costs incurred as a result of buying, selling, lending or borrowing of investments) regularly, and on the selection of any mandate, to ensure that they are appropriate and competitive for the service being provided. The Trustee monitors the portfolio turnover (the frequency that assets are bought and sold) in the context of what the Trustee expects to be reasonable given the nature of each mandate. By also monitoring performance net of all costs, investment managers are incentivised to consider the impact of portfolio turnover on investment performance.

The Trustee invests in passively managed funds which replicate benchmark indices and therefore require assets to be bought and sold when the constituents of the underlying index change. To avoid being a forced buyer/selling or stocks and to reduce transaction costs when the index changes, investment managers give themselves some flexibility on exactly when to buy and sell and what proportions of each asset in the index to hold to minimise transaction costs.

September 2023

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Trustee Chairman

Ulster Carpets Merged Pension Plan

Implementation Statement for year ended 1 September 2023

December 2023

Introduction

This statement has been prepared by the Trustee of Ulster Carpets Merged Pension Plan (the "Plan") with input from its Investment Consultants. The statement demonstrates how the Trustee have acted on certain policies within their Statement of Investment Principles ("SIP").

Each year the Trustee must produce an Implementation Statement that demonstrates how they have followed certain policies within their SIP over the Plan year. This Implementation Statement covers the year from 2 September 2022 to 1 September 2023.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit (DB) investments held by the Plan. Note that this excludes any Additional Voluntary Contribution investments held by the Plan if applicable.

Trustees of DB pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including a description of their voting behaviour, the most significant votes cast and any use of a proxy voter on their behalf over the year.

SIP policies

This Implementation Statement should be read in conjunction with the Plan's SIP covering the year under review which gives details of the Plan's investment policies along with details of the Plan's governance structure and objectives.

This Implementation Statement reviews the voting and engagement activities as well as the extent to which the Trustee believes the policies have been followed over the 12-month period to the year end 1 September 2023. The Plan invests in a range of pooled funds all of which are managed by Legal and General Investment Management ("LGIM" or the "Investment Manager").

The SIP was updated during the Plan year to take into account changes in investment strategy. In the SIP revised during the Plan year, the Trustee stated the following policies on the exercise of voting rights and engagement activities related to its investments:

- As the Plan's assets are invested in pooled funds the Trustee is restricted in its ability to directly influence its Investment Manager(s) on the ESG policies and practices of the companies in which the pooled funds invest.
- The Investment Manager will undertake appropriate monitoring of current investments with regard to their policies and practices on all such issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and climate change. The Trustee monitors Investment Manager's updates on the ESG impact on an ongoing basis to ensure they are in line with relevant regulatory codes.
- The Trustee has delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the Investment Manager. The Trustee expects the Investment Manager to provide regular updates on how they exercise those rights and what impact on the portfolio they might have.

Description of voting behaviour

The Plan is invested in pooled funds, which means that the responsibility for exercising the voting rights on the shares held by the Plan sits with the Investment Manager. The Trustee has enforced the policies in place by monitoring the engagement and voting activities of the Plan's Investment Manager to attempt to ensure they are aligned with the Trustee's policies.

Over the year the Plan was invested in two mandates where the underlying assets included publicly listed equities. These were the UK Equity Index Fund and the World (excluding UK) Developed Equity Index Fund (GBP Hedged), both managed by LGIM. Additionally, the LGIM Buy and Maintain Credit Fund was eligible to vote in a small number of instances and therefore a voting summary has been included below.

The Trustee reviews and monitors the voting and engagement activity taken by the Investment Manager on their behalf. Information published by LGIM provides the Trustee with comfort that their voting and engagement policies have been followed during the year. The following tables show LGIM's voting summary covering the Plan's eligible investments.

LGIM UK Equity Index Fund	1 October 2022 – 30 September 2023
No. of meetings eligible to vote at	660
No. of resolutions eligible to vote on	10,239
Eligible resolutions voted on	100.0%

Of resolutions voted on, resolutions voted **with** management	94.3%
Of resolutions voted on, resolutions voted **against** management	5.7%
Of resolutions voted on, resolutions **abstained** from voting	0.0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	4.5%

Source: LGIM. Note totals may not sum due to rounding.

LGIM World (ex. UK) Developed Equity Index Fund (GBP Hedged)	1 October 2022 – 30 September 2023
No. of meetings eligible to vote at	2,212
No. of resolutions eligible to vote on	28,202
Eligible resolutions voted on	99.9%
Of resolutions voted on, resolutions voted **with** management	76.7%
Of resolutions voted on, resolutions voted **against** management	23.1%
Of resolutions voted on, resolutions **abstained** from voting	0.2%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	16.7%

Source: LGIM. Note totals may not sum due to rounding.

LGIM Buy and Maintain Credit Fund	1 October 2022 – 30 September 2023
No. of meetings eligible to vote at	2
No. of resolutions eligible to vote on	2
Eligible resolutions voted on	100.0%
Of resolutions voted on, resolutions voted **with** management	100.0%
Of resolutions voted on, resolutions voted **against** management	0.0%
Of resolutions voted on, resolutions **abstained** from voting	0.0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	0.0%

Source: LGIM. Note totals may not sum due to rounding.

Please note that LGIM only captures voting data at each quarter end therefore the voting data quoted above is for the year to 30 September 2023.

Proxy voting

The Trustee did not employ a proxy-voting service during the year under review and do not propose to do so given the size of their investments.

LGIM votes by proxy as, given the scale of its holdings, the manager cannot be present at all shareholder meetings to cast votes. LGIM votes by proxy through the Institutional Shareholder Service's ('ISS') electronic voting platform. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM's own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service ('IVIS'). To ensure the proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. LGIM retain the ability in all markets to override any vote decisions.

How voting and engagement policies have been followed

As set out in the SIP, the Trustee expects the Investment Manager to engage with investee companies on aspects such as performance, strategy, risks, corporate governance, management of actual or potential conflicts of interest, capital structure, and social and environmental issues concerning the Trustee's investments.

The Trustee reviews and monitors the voting and engagement activity taken on their behalf on an annual basis. The information published by the Investment Manager on their voting policies has provided the Trustee with comfort that their voting and engagement policies have been followed during the Plan year.

Significant votes

LGIM has provided examples of what it believes to be the most significant votes cast on the Trustee's behalf during the period for both the UK Equity Index Fund and the World (ex. UK) Developed Equity Index Fund. The Trustee has adopted the manager's definition of significant votes and has not set stewardship priorities.

Example 1: World (ex. UK) Developed Equity Index Fund	
Vote Details	Amazon.com Inc., 24 May 2023 Vote on a report on median and adjusted gender/racial pay gaps.
Approximate size of fund's holding as at date of vote	1.6% of total Fund size as at 24 May 2023
Rationale for significance	LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.
Voting decision	For
Where the Investment Manager voted against management, did the Investment Manager communicate the intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
Rationale for the voting decision	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. 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 believe cognitive diversity in business is a crucial step towards building a better company, economy and society.
Vote outcome	29% (Fail)
Next Steps	LGIM will continue to engage with the company and monitor progress.

Example 2: UK Equity Index Fund	
Vote Details	Shell plc, 23 May 2023 Vote on the approval of the Shell Energy Transition Progress.
Approximate size of fund's holding as at date of vote	7.0% of total Fund size as at 23 May 2023
Rationale for significance	LGIM expect transition plans to be put forward by companies and for such plans to be both ambitious and credibly aligned to a 1.5ºC scenario. Given the high-profile of such votes, LGIM deem such votes to be significant.

	LGIM's rationale for voting against the resolution was that it remains concerned around the lack of disclosure on plans for future oil and gas production.
Voting decision	Against
Where the Investment Manager voted against management, did the Investment Manager communicate the intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. However, LGIM's policy is to not engage with investee companies in the three weeks prior to an Annual General Meeting as engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	LGIM, whilst recognising progress made by Shell in meeting its 2021 climate commitments, remains concerned by the lack of progress surrounding future oil and gas production plans and targets associated with upstream and downstream operations.
Vote outcome	80% (Pass)
Next Steps	LGIM continues to undertake extensive engagement with Shell on its climate transition plans.

Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies. Non-equity investments such as the Plan's corporate bond and buy and maintain credit holdings can also include engagement activities, but these investments do not typically carry voting rights. The Trustee expects the Investment Manager to engage on its behalf to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for clients. LGIM's voting policies are reviewed annually and take into account client feedback.

LGIM actively engages with the investee companies via direct messages and meetings with management and engagements via email to influence positive ESG practice. It is also noted that there is substantial overlap between the companies in which LGIM holds debt and equity and so, while the corporate bonds mandate does not hold voting rights, LGIM's position as the equity holder elsewhere will likely result in them having voting rights to compound the impact and influence that LGIM have on each company's practices.

Over the 12 months to 30 September 2023, LGIM undertook 2,299 engagements with 2,164 companies. Some engagements cover multiple topics and LGIM have provided the following summary:

- 1,814 on environmental topics;
- 301 on social topics;
- 538 on governance issues; and
- 133 on other topics including finance and strategy.

The top five engagement topics included climate change, remuneration, board composition, energy and climate impact pledges.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop voting and engagement policies and define strategic priorities.

The table below summarises the engagements undertaken on a fund-by-fund basis over the year to 30 September 2023 broken down by each pillar of ESG.

Fund	Environmental	Social	Governance	Other	Total engagements
Buy and Maintain Credit	79	44	70	9	202
AAA-AA-A Over 15 Year Corporate Bond Index Fund	28	9	17	7	61
LDI Funds	18	0	6	0	24
UK Equity Index Fund	106	81	166	18	371
World (ex. UK) Developed Equity Index Fund	385	77	142	43	647

Source: LGIM.

Extent to which Trustee’s policies have been followed during the year

Having reviewed the actions taken by LGIM, the Trustee believes that their policies on engagement and voting rights (where applicable) have been implemented appropriately and in line with the views stated in the Plan’s SIP. The Trustees will continue to monitor the actions taken on its behalf each year.

If the Investment Manager deviates substantially from the Trustee’s stated policies, the Trustee will initially engage and discuss this with Investment Manager, and if the Trustee still believes the difference between its policies and Investment Manager’s actions are material, the Trustee’s will consider terminating and replacing the mandate if necessary.

December 2023

For and on behalf of the Trustee of the Ulster Carpets Merged Pension Plan