Imperial Tobacco Pension Fund Implementation Statement

June 2024

Background and Implementation Statement

Background

The Department for Work and Pensions ("DWP") has increased regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance ("ESG") factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their Statement of Investment Principles ("SIP") and demonstrate adherence to these policies in an implementation statement.

Statement of Investment Principles ("SIP")

The Trustee of the Imperial Tobacco Pension Fund (the "Fund") is in the process of reviewing its Defined Benefit ("DB") and Defined Contribution ("DC") SIPs.

The latest SIP can be found here and changes to the SIP are detailed further on the following pages.

Implementation Statement

This Implementation Statement is to provide evidence that the Fund continues to follow and act on the principles outlined in the SIP. This statement details:

- actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustee has followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies they invest
- voting behaviour covering the year up to 31 March 2024 for and on behalf of the Fund including, where available, the most significant votes cast by the Fund or on its behalf
- the policies in place to ensure the default strategy of the DC section remains in the best interest of its members.

Summary of key actions undertaken over the Fund's reporting year

- During the year, the Trustee regularly reviewed the position of the DB Section and potential options for further risk reduction. This included reviewing the LDI portfolio and monitoring cash inflow from illiquid assets.

- Towards the end of the reporting year, the Trustee updated its long-term hedge ratio target to 94% of the liability benchmark, which is intended to broadly reflect sensitivities in insurer pricing. Following increases over the year, the Fund's hedge ratio as at 31 March 2024 was 86%. The Trustee, via its Investment Committee, is considering whether there is sufficient liquidity to further increase the hedge ratio towards its long-term target.

- The Trustee agreed to terminate its Secured Income mandate held with M&G in September 2023, with the first redemption being received post the reporting year end, to increase liquidity. M&G have projected that the full disinvestment will be received over several quarterly trade dates.

- During the reporting year, the Trustee undertook a review of the DC Section's default investment arrangements and are currently undertaking a wider review of their DC platform provider.

Implementation Statement

This statement demonstrates that the Trustee of the Imperial Tobacco Pension Fund has adhered to its investment principles and its policies for managing financially-material considerations including ESG factors and climate change.

Signed H F Clatworthy

Position Chair

Date June 2024

Managing risks and policy actions

Trustee policies for managing risks

The Trustee has identified the following risks that it has considered in the Fund's SIP. These risks and the Trustee's policies are set out in the tables below.

The key actions the Trustee has taken over the accounting year to address some of these risks have been highlighted in the table.

Defined Benefit Section

Risk / Policy	Definition	Policy	Actions
Interest rate and inflation	The Fund suffers a financial loss through exposure to interest rate and inflation risks on its liabilities or through exposure to interest rate and inflation risks on its assets, which differ from those on the liabilities.	The Trustee uses LDI to hedge a portion of the interest rate and inflation exposure, reducing the risk.	The Trustee has a segregated LDI portfolio to provide a bespoke interest rate and inflation hedge that replicates the majority of the sensitivities of the Fund's liabilities to these risk factors. The Trustee considers the liquidity of the Fund's assets when setting the target hedge ratio.
Credit	Default on payments by issuers of corporate bonds and other debt assets the Fund holds or through reductions in the market values of those assets.	The Trustee diversifies this risk by investing in a range of credit opportunities.	The Trustee instructed a sale of its Secured Income mandate managed by M&G to increase liquidity. Credit risk remains elsewhere in the portfolio, and allocations to these assets are expected to fall gradually over time.
Longevity	The risk that life expectancy and actual survival rates exceed expectations or the Fund's pricing assumptions.	The Trustee considers the risks associated with longevity when implementing the investment policy.	The Fund previously purchased a bulk annuity policy which covers part of the Fund's overall longevity risk.
Concentration	Over-exposure to a single asset which suffers losses relative to the Fund's liabilities.	The Trustee has set an investment strategy that uses multiple asset types, strategies, regions and sectors to ensure diversification.	No action.
Currency	The Fund suffers a financial loss through exposure to currencies other than sterling.	The Investment Managers are responsible for hedging any currency risk to reduce the potential impact of	No action.

		overseas currency exposure on the performance of mandates with exposure outside of the UK.	
Counterparty	The Fund suffers a financial loss as a result of the failure of a counterparty to meet its obligations to the Fund (or to a fund in which the Fund invests).	The Fund and the counterparty both post collateral to the other party on a daily basis to account for market movements in the value of derivatives held.	No action.
Manager	The risk associated with one manager having responsibility for all of the Fund's assets.	The Trustee reduces this risk by dividing the assets between a number of investment managers.	No action.
Custodian	A custodian defaults or fails in its safekeeping of the Fund's assets leading to a financial loss for the Fund.	The Trustee has a written agreement in place with the custodian to assure the physical security of the Fund's assets held by the custodian.	No action.
Liquidity	The Fund is unable to raise cash when it needs to without incurring excessive costs.	The Trustee considered the liquidity of the Fund's assets in the context of likely cash flow needs.	The Trustee has taken steps to increase liquidity over the year to help support the LDI portfolio and wider cashflow requirements.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can have a material impact on investment risk and return outcomes.	The Trustee has a separate policy for ESG factors, and this can be found later in this document.	ESG actions undertaken: • The managers' ESG policies were reviewed and presented to the Investment Committee in an Impact Assessment report. • As part of the Task Force on Climate-related Financial Disclosure ("TCFD") requirements, the Trustee conducted a review of the DB and DC Section's climate-related metrics. More details of the ESG policy and how it was implemented are presented later in this statement.

Defined Contribution Section

Risk / Policy	Definition	Policy	Actions
Inflation Risk	The real value (i.e. post inflation) value of members' accounts decreases.	The Trustee offers a default option which invests in a diversified range of assets which are likely to grow in real terms. There are also self-select fund options available across a range of asset classes, with the majority expected to keep pace with inflation. Members can set their own investment allocations, in line with their requirements versus inflation.	The Trustee reviewed the ongoing suitability of the investment arrangements as part of their quarterly reporting and meeting structure.
Pension Conversion Risk	Members' investments do not match how they would like to use their pots in retirement.	The Trustee makes available three lifestyle strategies, each targeting either cash, drawdown or annuity purchase at retirement. The default investment option is a lifestyle strategy which targets flexible access income drawdown as a retirement destination.	No action.
Market Risk	The value of securities, including equities and interest-bearing assets, can go down as well as up.	The default investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	The Trustee monitored the performance of different markets and the impact on the fund performance throughout the year as part of their quarterly reporting and meeting structure.
Counterparty Risk	A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.	Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	No action.
Currency Risk	The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee. Within the diversified growth funds the currency risk management is delegated to Investment Managers.	Currency movements had an impact on short-term performance of funds over the year. The Trustee monitored and reviewed the impact as part of their quarterly meetings and concluded the risk was sufficiently managed over the long-term and for members approaching retirement.
Operational Risk	A lack of robust internal processes, people and systems.	The Investment Consultant's ratings for fund managers include consideration of management of operational risk.	The Trustee monitors the fund managers as part of its quarterly Investment Committee meetings, with the Investment Consultant

			providing material and advice to assist in this process.
Liquidity Risk	Assets may not be readily marketable when required	The Trustee accesses daily dealt and daily priced pooled funds through a unit-linked insurance contract from Aegon.	No action.
Valuation Risk	The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation.	The investment strategy predominantly invests in liquid assets. The diversified growth funds may hold illiquid assets. However, the management of valuation risk is delegated to Investment Managers.	No action.
Environmental, Social and Governance Risk	ESG factors can have a significant effect on the performance of the investments held by the Fund e.g. extreme weather events, poor governance.	The Trustee has a separate policy for ESG factors, and this can be found later in this document. In addition, the Trustee has made available a sustainable global equity fund in the self-select range.	The Trustee reviewed the extent ESG is embedded within the processes of the investment managers as part of the continued review of the default carried out over the year as well as the platform review. In addition, the following ESG actions were undertaken: • The managers' ESG policies were reviewed and presented to the Investment Committee in an Impact Assessment report. • As part of the Task Force on Climate-related Financial Disclosure ("TCFD") requirements, the Trustee conducted a review of the DB and DC Section's climate-related metrics. More details of the ESG policy and how it was implemented are presented later in this statement.
Manager Skill / Alpha Risk	Returns from active investment management may not meet expectations, leading to lower than expected returns to members.	The Trustee makes use of a number of actively managed funds to DC members where they deem appropriate.	The Trustee monitors the performance and ratings of the active funds regularly throughout the year at the quarterly Trustee meetings.

Changes to the SIP

The Trustee is in the process of reviewing and updating its DB and DC SIPs in line with the latest guidance.

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Trustee's policy with regards to ESG as a financially material risk. This section details the Trustee's ESG policy and how it is implemented, as well as the Trustee's ESG beliefs.

The Trustee agreed the ESG beliefs set out in the ESG Policy in December 2020. The policy was updated in 2022 to reflect climate related ESG beliefs as part of the TCFD requirements and was refined following review in 2023. The following information reflects the 2023 update of the Trustee's ESG Policy. The annual review of the ESG Policy took place following the Fund year end and no changes were implemented.

Rationale for the policy

The Fund is a large institutional investor, investing on behalf of its members. As part of the Trustee's fiduciary duty, which includes a comprehensive approach to risk management, it has been recognised that ESG factors, including, but not limited to, climate change, can be financially material. The Trustee recognises that there is a need for the Fund to be a long-term, responsible investor to achieve sustainable returns.

The Trustee believes that it should be a responsible steward of its assets and consider the wider impacts, where possible, of its investment decisions on the environment and society. Where possible, and in line with the beliefs set out in the Policy, positive ESG outcomes will be targeted within the investment portfolios.

Impact of the policy on investment decision making

The Trustee decides the Fund's investment strategy and asset allocation. This includes which asset classes the Fund should be invested in. In making any portfolio construction decisions, the Trustee will have regard for the policy.

Within each asset class, the Trustee delegates the day-to-day investment decision making to the investment managers e.g. holding a bond issued by a particular company or exposure to a particular sector. In appointing and reviewing the Fund's investment managers, the Trustee, with the assistance of its investment consultant, considers the managers' expertise, track record and stated policies and frameworks on ESG related issues. As part of the initial and ongoing due diligence of the Fund's investment managers, the Trustee assesses and monitors their considerations of ESG factors and how these are incorporated into their investment decision making.

In addition, the Trustee will consider opportunities that may arise from regulation on ESG factors or market dislocations and will receive training and updates periodically to update them on these trends and opportunities.

Implementing the policy

The Trustee will implement the policy through the following steps:

i. The Trustee will continue to develop its understanding of ESG factors through annual training on ESG and keep themselves up to date on the latest sustainable investment opportunities.

ii. The Trustee's ESG beliefs will be formally reviewed annually or more frequently if required by the Trustee.

iii. The Trustee will incorporate ESG criteria as part of new manager selection exercises, with explicit consideration of ESG factors for any segregated mandates.

iv. The Trustee, with support from its investment consultant, will undertake annual reviews of the investment managers' approach to integrating ESG factors.

v. Following the initial review, actions will be identified where investment managers are misaligned with the Trustee's ESG beliefs. The investment consultant will engage with each manager on the Trustee's behalf to remedy these issues where possible.

vi. The investment managers' stewardship and engagement activities will be monitored on an ongoing basis and the Trustee will seek to understand the effectiveness of these activities.

vii. The Investment Committee will receive any relevant climate-related updates from the investment consultant and investment managers, potentially covering the investment managers' climate capabilities, progress on various climate workstreams and any relevant market or regulatory updates.

viii. The Trustee, with support from its investment consultant, will produce an annual TCFD report.

Monitoring and reviewing the policy

The Trustee will monitor the Fund's assets against this policy on an ongoing basis, with the assistance of its investment consultant. The Trustee views the development of the policy as an ongoing process as approaches to integrating ESG factors continue to evolve over time. When reviewing the policy, the Trustee will take account of any significant developments in the market to assess whether they are taking a best practice approach.

The Trustee's ESG beliefs

The Trustee has formulated a set of ESG beliefs to help underpin overall investment decision making. The Trustee's ESG beliefs have been summarised below.

Risk Management	1. ESG factors can be financially material; identifying and mitigating these risks where possible forms part of the Trustee's fiduciary duty. 2. Whilst the Trustee wishes to invest in managers and funds that exhibit best practice in terms of ESG integration, the Trustee will continue to maximise the risk / reward profile of any investment. Any positive tilts to ESG factors will be made where the Trustee feels that these investments will generate superior long-term returns and/or lower risk. 3. The Trustee will consider the ESG values and priority areas of the Sponsor. 4. The Trustee recognises that climate change risk poses significant investment risk that could become incrementally more severe over time.
Approach / Framework	5. The Trustee will seek to understand how investment managers integrate ESG considerations into their investment decisions and include reference to ESG capabilities in future evaluation criteria when selecting new investment managers. 6. Specialist ESG fund/s will be offered in the self-select range in the DC section.
Voting & Engagement	7. The Trustee will seek to understand each investment manager's approach to engaging with portfolio companies and the effectiveness of these activities. 8. Managers investing in companies' debt, as well as equity, have a responsibility to engage with the management of investee companies on ESG issues. 9. Engaging with investment managers is an effective way of initiating change and ensuring better alignment with the Trustee's ESG beliefs. There is a desire to engage with investment managers in the first instance rather than sell the Fund's holdings if issues are identified.
Reporting & Monitoring	10. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training to develop and maintain an understanding of these factors. 11. Through the Trustee's regular reporting and ongoing due diligence of the Fund's investment managers, supported by its investment consultant, the Trustee will seek to monitor suitable ESG metrics to understand the impact of investments. 12. The Trustee will take advice from its investment consultant to set appropriate ESG targets for the Fund.

Collaboration	13. Investment managers should sign up and comply with common codes and practices such as the UN PRI and the UK Stewardship Code. If they do not sign up, they should provide a valid reason why. 14. Investment managers should engage and collaborate with other market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, social issues, risk management and debtholder rights.

ESG summary and engagement with the investment managers

Impact Assessment results

In Q1 2024, Isio assessed the ESG processes of the Fund's investment managers. The results were reported back to the Investment Committee in the form of an Impact Assessment.

The review was conducted in line with the Trustee's ESG beliefs and Isio gave each manager an overall ESG score and climate score, and rated them in each of the following areas:

- Risk Management
- Investment Approach/Framework
- Stewardship
- Reporting
- Collaboration

Using the results, Isio advised the Trustee on the potential engagement points, and progress against these points will be monitored over time.

A summary of Isio's view on each of the managers' ESG process, and the key engagement points, is outlined in the following table.

Defined Benefit Section

Manager and Fund	ESG Summary	Actions identified
DTZ Property Portfolio	ESG integration is a key component of DTZ's investment process. The firm has a clear pathway in place in order to reach Net Zero by 2040 and encourages ESG-related improvements across their asset base through asset management plans. DTZ has also set up asset improvement plans, introducing ESG-related efficiencies across their holdings.	DTZ should incorporate greenhouse gas (GHG) emissions data and ESG scores for the assets within their quarterly reporting. DTZ should introduce social and nature related fund objectives into their investment approach. DTZ should also aim to become a signatory of the 2020 UK Stewardship Code and Net Zero Asset Management Initiative.
AXA Secured Finance	AXA has firm-wide stewardship policies in place; however, climate and social factors aren't a priority for the manager. Whilst AXA's firm-level ESG policies are positive, integration of ESG considerations at the mandate level is weak. This is partly due to securitised assets offering limited data accessibility and potential for engagement.	AXA should increase its engagement efforts with issuers and look to implement a fund-level stewardship policy to effectively manage potential ESG risks within the portfolio. AXA should implement a fund-level ESG policy with defined objectives, including climate factors.
M&G Secured Finance	M&G showcase a comprehensive firm-wide ESG approach with a commitment to net-zero emissions across all portfolios by	M&G should consider a greater focus on physical and social risks, and utilise climate

	2050, and a dedicated stewardship team in place. At the fund level, M&G are mostly focused on shorter term ESG risks which might impact the value of the holdings ahead of maturity, rather than longer term climate risks.	modelling, within their risk management framework. M&G should provide examples of engagement with issuers in line with its stewardship priorities. M&G should improve their data coverage of GHG emissions and provide issuer-level ESG ratings.
Hayfin Private Debt	Whilst Hayfin has an established firm-wide ESG policy, integration of the policy and fund-level ESG objectives is limited in relation to the Private Debt vintages invested in by the Fund. This is mainly due to the vintages being past their investment periods. Hayfin’s level of reporting remains behind industry peers as they do not report on ESG metrics or provide engagement data.	Hayfin should improve their diversity reporting metrics. Hayfin should increase engagements with underlying companies, introduce fund-level ESG objectives and incorporate ESG metrics within regular reporting.
PGIM Ground Lease Property	The nature of the strategy means PGIM hold the assets at an “arms length”, resulting in limited influence over the management of ESG related issues. Whilst there is a firm-wide ESG policy in place, the portfolio does not have a separate ESG policy or quantifiable ESG objectives in place.	PGIM should set quantifiable ESG objectives and specific engagement priorities for the portfolio. PGIM should provide evidence of risk management processes driving investment decisions and capturing ESG Risk. PGIM should become a signatory of the Net Zero Asset Manager’s Initiative and consider producing white papers which support the favorable outcomes of ESG.
LGIM LDI	LGIM is actively committed to integrating ESG considerations into LDI funds. Their dedicated ESG team plays a crucial role in responsible investment and stewardship, ensuring premium risk management through their proprietary tools. At a firm level, LGIM demonstrate a robust approach to ESG and stewardship.	LGIM should provide better incentives, more choice and encouragement to investors for using Active ESG tool to maximise engagement, improving outcomes. LGIM should introduce a formal ESG training program for its employees with defined training priorities.

The Defined Benefit Section of the Fund also holds a buy-in policy with Standard Life. The Trustee reviews monitoring on Standard Life’s ESG credentials on an approximately annual basis.

Defined Contribution Section

For this section, we are reporting on the funds which make up the DC section's default lifestyle strategy and self-select fund range.

Isio will be engaging with the managers on the Trustee's behalf, to review their ESG policies and set actions and priorities. Isio will report back to the Trustee on a periodic basis on any progress the investment managers have made against these proposed actions.

Manager and Fund	ESG Summary	Actions identified
BlackRock Passive Equity Funds (ITPF Global Equity Fund, ITPF Overseas Equity Fund and ITPF UK Equity Fund)	BlackRock has a firmwide ESG policy, has a dedicated sustainability team and is signatory to several initiatives. However, there is much scope for BlackRock to improve, particularly in relation to how they report on ESG risks and stewardship activity. The indices underlying the fund range do not have ESG objectives or exclusions, placing a cap on potential scoring, particularly in terms of 'investment approach'. We believe there are other products which offer 'passive'-type exposure, while better managing ESG risks.	BlackRock could consider extending the firm's ESG policy to include net zero commitment. BlackRock should provide more consistent and granular ESG scoring across the passive fund range, while also working to improve data coverage.
BlackRock Diversified Growth Fund (ITPF Diversified Growth Fund)	Blackrock have strong firm-wide ESG policies, large, dedicated ESG teams and uses a wide range of internal and third-party data sources all to support and implement its sustainable approach to investing. However, there is less detailed evidence of these policies being monitored and measured against at a fund-level and the outcomes of any risk analysis and engagement being part of regular reporting. This will lead to boosting of its overall ESG score.	BlackRock should introduce fund-specific ESG objectives. BlackRock should update its ESG scorecard on an annual basis. BlackRock should create fund level stewardship priorities. BlackRock could provide Scope 1 & 2 GHG emissions and ESG metrics in quarterly reporting specific to the Fund, rather than Diversified Strategies as a whole.
Insight Diversified Growth Fund (ITPF Diversified Growth Fund)	Insight have a robust process in place where ESG considerations are clearly factored in as important part of the investment process. The Fund's reporting has become a key detractor, which is partly linked to the philosophy of the fund in accessing exposures through derivatives.	Insight should implement a specific ESG policy for the fund. Insight could also develop quantifiable ESG objectives such as KPIs. Insight should improve reporting frequency and fund level reporting.
BlackRock Pre-Retirement Fund (ITPF Annuity Protection Fund)	There are limits as to how BlackRock can integrate ESG factors into the fund, as they seek to track an index. However, BlackRock are still able to carry out stewardship activities for the investments they make in this Fund.	BlackRock should increase levels of engagement with portfolio issuers from current levels. BlackRock could calculate the implied Temperature Pathway for the portfolio and develop climate scenario modelling.

	At a firm level, BlackRock has a reasonably high level of ESG standards, and this feeds through to this Fund with respect to reporting. However, it would be beneficial to increase the frequency of their reporting as well as building out the range of metrics they are able to report on.	BlackRock should also build out their range of metrics to include those on social and biodiversity factors.
BlackRock Passive Gilts Fund (ITPF Index Linked Gilt Fund)	The passive nature of the mandate prevents ESG from being integrated into credit selection and therefore limits the investment approach. It is also not possible for BlackRock to engage with HM Government in the same manner as with a standard corporate issuer. BlackRock have well-developed firm-level ESG and Stewardship policies in place, with well-resourced responsible investment teams. BlackRock aggregate information centrally by issuer, allowing them to maximise the impact of their engagement.	BlackRock should develop the range of TCFD metrics published for the strategy. Publish ESG and TCFD metrics on a quarterly basis.
BlackRock Cash Fund (ITPF Cash Fund)	BlackRock have well-developed firm-level ESG and Stewardship policies in place, with well-resourced responsible investment teams. BlackRock aggregate information centrally by issuer, allowing them to maximise the impact of their engagement. Cash strategies have integrated ESG into the credit selection process, looking at E, S and G factors separately. Issuers have to meet a range of criteria to be eligible for inclusion in portfolios. TCFD reporting has developed in the last year, though demonstrating reporting of engagements in line with stewardship priorities is limited.	BlackRock should develop stewardship priorities and record engagement. BlackRock should develop the range of TCFD metrics that are reported and develop reporting on social factors.
LGIM Sustainable Equity Fund (ITPF Sustainable Global Equity Fund)	LGIM continues to grow their dedicated and experienced ESG team that drive engagement with portfolio companies on key ESG issues. Within LGIM's Future World Index, a set of exclusions are applied, alongside enhancements based on the comprehensive evaluation of ESG factors. Climate considerations are a key priority for the Fund, and LGIM are continually improving their capabilities in the space. In 2023, LGIM introduced Scope 3 and GHG emissions data in regular reporting for the Fund. We view LGIM as being leaders in promoting ESG through collaboration with the broader industry and clients, specifically on climate-related topics.	LGIM should aim to increase the percentage of portfolio companies they engage with (currently 48%). LGIM should strive to have their ESG metrics and data independently verified to ensure accuracy of key metrics and data.

Engagement

As the Fund invests via fund managers, the managers provided details on their engagement activity including a summary of the engagements by category. The managers also provided examples of any significant ESG-related engagements where relevant.

Defined Benefit Section – 12 months to 31 March 2024 (unless stated otherwise)

Fund name	Engagement summary	Commentary
DTZ Property Portfolio	Total engagements: 274 Environmental and Social: 107 Environmental: 167	DTZ operates a stakeholder engagement programme to engage with all stakeholders and ensure they are supportive of the ESG programme, procedures, and objectives DTZ have in place. An annual survey is distributed to tenants to gauge satisfaction and to understand their ESG needs. DTZ confirmed that 167 tenants were sent the annual customer satisfaction survey and 75 have responded, a moderate increase in responses from last year (42 responses from 165 tenants). DTZ are in the process of assessing how many of these responses were in relation to ESG related sections of the survey.
AXA Secured Finance	Total engagements: 12 (covering E, S and G)	AXA's engagement efforts focussed on Collateral Loan Obligation (CLO) managers to verify that their industry exclusions list aligns with AXA IM's exclusions list. If there is misalignment, AXA request confirmation of any exposure to the industries in AXA IM's exclusions list and engage with the manager to confirm that they will not invest in such industries anymore. Examples of significant engagements include: **Spire Partners** – Prior to investing in the CLO, AXA discussed ESG stipulations in the documentation to align it with AXA IM requirements. AXA pushed for an enhanced investment policy at the CLO transaction level in line with AXA IM sector exclusion. The CLO manager agreed to align its ESG policy within the CLO transaction with AXA IM requirements. **Stellantis NV** – AXA engaged with the Company with the aim to improve the transparency and quality of its remuneration policy. AXA met separately with the Chief Human Resources and Transformation Officer and the Investor Relations team to discuss this and stress the need for full transparency on strategic milestones determining the incentive payout level. AXA was pleased with the level of responsiveness and the Company's willingness to engage on a regular basis.
M&G Secured Finance	Total engagements: 7 Environmental: 2 Social: 2	M&G engage with borrowers with respect to ESG factors during initial due diligence and ongoing monitoring for public assets. However, M&G recognise that ongoing engagement is difficult for private assets, and it is reliant on data they receive from sponsors.

	Governance: 1 Other: 2	Examples of significant engagements include: **LSF10 XL BIDCO SCA –** M&G had a call with Management to encourage them to disclose their SBTi emission goals once approved by the Initiative. Management confirmed the Initiative were due to review their proposal by October 2023 and they would discuss internally about producing a press release if successful. Ultimately Management acknowledged the value of disclosing the news once confirmed. **Efficio Ltd –** M&G met with the Company to ensure they were effectively managing and mitigating cyber security risk. Efficio confirmed that they are ISO27001 accredited ad have an internal team focused on cyber security. Staff also have regular phishing training. M&G were pleased with the steps that Efficio were taking.
Hayfin Direct Lending fund II	Hayfin currently do not provide details of their engagement activity for DLF II.	Given DLF II ended its investment period in 2019 and Hayfin are only the lenders, Hayfin's ability for engagement is limited. However, they do take corporate engagement seriously and it is reflected in the other vintages in their funding/investment period.
Hayfin Direct Lending fund III	Total engagements: 23 Environmental: 9 Social: 10 Governance: 1 Other: 3	Over the year, Hayfin improved their reporting to be able to report on this strategy. Hayfin determines fund-level engagement objectives based on the unique challenges portfolio companies are facing on their ESG journeys. Engagement outcomes can be derived from Hayfin's individual efforts and collaborative efforts, depending on whether Hayfin is a majority or minority lender. Hayfin is typically able to engage more thoroughly with borrowers where it is the majority or sole lender. Whilst DLF III's investment period has ended, it holds some assets that are also held within DLF IV, which reports under Article 8 of the SFDR. Examples of significant engagements include: **Collinson Group –** Hayfin set a mandatory ESG information requirement, rather than ESG ratchets. Collinson Group will track and annually report on GHG emissions, energy efficiency, employee diversity and board composition. Hayfin are awaiting the first set of KPI reporting.
PGIM Ground Lease Property	PGIM currently do not provide details of their engagement activity for the Ground Lease Property portfolio.	The nature of the Ground Lease Property portfolio means that PGIM hold the assets at an "arm's length", resulting in limited influence over the management of ESG-related issues. PGIM would be able to engage with the leaseholder in the event of discussing an asset management deal but there have been no instances of this across the portfolio during the reporting year.
LGIM LDI	Total engagements: 0	LGIM previously reported on engagements for the LDI portfolio as it captured the engagements that took place within the liquidity fund. LGIM's updated reporting method no longer captures the liquidity fund within this reporting.

Defined Contribution Section – 12 months to 31 March 2024

For this section, we are reporting on the funds which make up the default strategy and which captures c.94% of the DC Section's assets. As an ESG-tilted self-select option, we have also reported on the ITPF Sustainability Global Equity Fund. As the Fund invests via fund managers, the managers provided details on their engagement activity including a summary of the engagements by category. One engagement can comprise of more than one topic across each company.

There is no engagement to report on ITPF Cash Fund.

Fund name	Engagement summary	Commentary
BlackRock MSCI World Index Fund (ITPF Global Equity Fund)	Total engagements: 1,500 Number of entities engaged: 902 Environmental: 595 Social: 640 Governance: 1,379	BlackRock provide a firmwide policy document which sets out their engagement priorities. These are board quality and effectiveness, strategy, purpose and financial resilience, incentives aligned with financial value creation, climate and natural capital and company impacts on people. Engagement example (Environment): BlackRock engaged with Freeport-McMoRan in 2023 to discuss governance and material sustainability-related risks and opportunities, building upon several years of engagements where they had encouraged the company to enhance its climate-related reporting to enable investors to understand its strategic initiatives. Freeport-McMoRan has made significant improvements since 2020 to its climate-related reporting by aligning it to the recommendations of the TCFD. In 2023, reporting included details on significant investments towards its stated transition strategy, including in process innovations. This has better allowed BlackRock to understand how the company's focus on new technologies, as well as operational efficiencies, will further enable it to navigate the transition to a low-carbon economy. Engagement example (Governance): BlackRock has had multiyear engagements with Zhejiang Expressway to better understand the company's governance and strategy and how these align with the financial interests of their clients as long-term, minority investors. In 2023, BlackRock engaged with the company prior to their annual general meeting (AGM) and extraordinary general meeting (EGM), to discuss, respectively, proposals by management to amend the company's articles of association (AOA) in response to recent regulatory changes and to approve a rights issue.
BlackRock Currency Hedged MSCI World Index Fund (ITPF Global Equity Fund)	Total engagements: 1,500 Number of entities engaged: 902 Environmental: 595	Please see above.

	Social: 640 Governance: 1,379	
BlackRock Emerging Markets Equity Index Fund (ITPF Global Equity Fund)	Total engagements: 345 Number of entities engaged: 237 Environmental: 185 Social: 131 Governance: 313	Please see above.
BlackRock Dynamic Diversified Growth Fund (ITPF Diversified Growth Fund)	Total engagements: 323 Number of entities engaged: 187 Environmental: 86 Social: 120 Governance: 301	Please see above.
Insight Broad Opportunities Fund (ITPF Diversified Growth Fund)	Total engagements: 12 Number of entities engaged: 11 Environmental: n/a Social: n/a Governance: n/a	Insight's engagements are focused on creating positive change at the organisations they invest in. Insight is focused on driving positive change throughout the market at both an individual issuer level and market wide, as evidenced by their membership to an extensive list of working groups and initiatives. For example, they are involved with Climate Action 100+: where the world's largest investors have united for change, aligns investor engagement to encourage the world's largest carbon emitting companies to act on climate change. Insight's prioritised themes for this year are climate change, natural capital and labour management (human rights in the case of sovereign issuers). Insight engagements are focused on creating positive change at the organisations they invest in. In determining the nature and objectives of an engagement relating to ESG factors, they adopt a Double Materiality Framework, whereby their approach is to categorise different themes to describe whether they have a greater impact in terms of their Financial Materiality or their Environmental & Social Materiality. Engagement example (Environment – Climate Change): In Q1 2023, Insight encouraged Aquila European Renewables Income to adopt ESG-linked objectives in its borrowings. This could help reduce borrowing costs and improve overall ESG outcomes. Insight plan to review progression towards ESG-linked objectives with the company in future engagements.
BlackRock Pre-Retirement Fund (ITPF Annuity Protection Fund)	BlackRock currently do not provide details of their engagement activities at fund level for fixed income funds; however they do set firm-wide engagement priorities and	BlackRock's Global Fixed Income ESG investment team is focused on assessing environmental and social risks and opportunities as an important part of evaluating sovereign bonds in the context of its portfolios with explicit ESG investment objectives.

	oversee firm engagements across the business.	Engagement is a core component of the BlackRock Global Fixed Income ESG Investment team's efforts. In 2023, the Global Fixed Income ESG Investment team held 150 engagements on green, social, and sustainable (GSS) bonds. A majority of these engagements were held with European issuers, focusing on green bond issuances or these issuers' green financing frameworks.
LGIM Future World Global Equity Index Fund (ITPF Sustainable Global Equity Fund)	Total engagements: 795 Number of entities engaged: 530 Environmental: 463 Social: 195 Governance: 275 Other: 67	LGIM have provided firmwide reporting that sets out their engagement priorities. Their stewardship priorities are built on pillars covering ESG, these pillars are E (Climate, Nature), S (Diversity, Health, Human Capital management, human rights and modern slavery) and G (Remuneration and Digitisation). Engagement example (Social): LGIM engaged initially with the Sainsbury's CEO in 2016 about this issue and by 2021, Sainsbury's was paying a real living wage to all employees, except those in outer London. Failed attempts to resolve this led to a joint shareholder resolution in Q1 2022 with ShareAction, aiming to make the company a living wage accredited employer. This escalation succeeded and Sainsbury's moved all London-based workers to the living wage in April 2022. LGIM welcomed this development from the company however, the resolution remained on the 2022 AGM agenda due to exclusion of contractors. In the previous four years LGIM have held eight company meetings with Sainsburys meeting with the CEO and the chairman, with the continued focus on social inequality. In 2023, LGIM led its own campaign on income inequality where it targeted the largest global food retailers and Sainsbury's was one of the 15 companies they selected. The campaign has as a consequence, a vote against the Chairman if LGIM's minimum requirements are not met by the time of their AGM in 2025.

Voting

DB Section
Given the DB Section does not have any equity investments, there are no voting actions to report.

DC Section
For this section, we are reporting on the funds which make up the default strategy and which captures c.95% of the DC Section's assets. As an ESG-tilted self-select option, we have also reported on the ITPF Sustainability Global Equity Fund. Given the ITPF Annuity Protection Fund and ITPF Cash Fund do not have any equity investments, there are no voting actions to report.

As the Fund invests in pooled funds managed by various fund managers, where applicable each manager has provided details on their voting actions, including a summary of the activity covering the reporting year up to 31 March 2024. The managers were also asked for examples of any significant votes.

The Trustee has adopted the managers definition of significant votes and has not set stewardship priorities. The managers have provided examples of votes they deem to be significant.

Fund name	Voting summary	Examples of most significant votes	Commentary
BlackRock MSCI World Index Fund (ITPF Global Equity Fund)	Votable Proposals: 15,204 Proposals Voted: 98% For votes: 94% Against votes: 5% Abstain votes: 0% Withhold votes: n/a Non-proxy agent votes: n/a Proxy agent votes : n/a Use of proxy voter : Yes Institutional Shareholder Services' (ISS) Votes contrary to the proxy advisor: 0%	**Techtronic Industries Co., Ltd.-** - *Date of vote : 12* May 2023 - *Reasoning for significant vote:* Not provided - *Approx. holding size :* n/a - *Summary of resolution :* Approve the Amendments to Share Award Scheme - *Manager vote :* Against - *Vote against management, was intent communicated ahead of the vote :* n/a - *Voting rationale :* BlackRock believes that the Incentive arrangements do not support the long-term economic interests of shareholders. - *Outcome of vote :* Pass	BlackRock enacted over 170,000 proxy votes over 2023. Through their internal policies, they ensure their vote aligns with their stewardship policy. For more information on BlackRock's stewardship, please refer to the following webpage which contains more detail here BlackRock's Global Principles : BIS Global Principles (blackrock.com) For further information on BlackRock's voting and engagement policies, please refer to the following webpage which can be found here.

BlackRock Currency Hedged MSCI World Index Fund (ITPF Global Equity Fund)	Votable Proposals: 15,204 Proposals Voted: 98% For votes: 94% Against votes: 5% Abstain votes: 0% Withhold votes: n/a Non-proxy agent votes : n/a Proxy agent votes : n/a Use of proxy voter : Yes Institutional Shareholder Services' (ISS) Votes contrary to the proxy advisor: 0%	**The Hong Kong and China Gas Company Limited.** - *Date of vote :* 07 June 2023 - *Reasoning for significant vote:* Not provided - *Approx. holding size :* n/a - *Summary of resolution :* Elect Lee Ka-kit as Director - *Manager vote :* Against - *Vote against management, was intent communicated ahead of the vote :* n/a - *Voting rationale :* BlackRock voted against this election due to concerns around board independence and gender-related diversity at the board level. - *Outcome of vote :* Pass	Please see above.
BlackRock Emerging Markets Equity Index Fund (ITPF Global Equity Fund)	Votable Proposals: 23,079 Proposals Voted: 98 % For votes: 87% Against votes: 12% Abstain votes: 2% Withhold votes: 0.0% Non-proxy agent votes : n/a Proxy agent votes : n/a Use of proxy voter : Yes Institutional Shareholder Services' (ISS) Votes contrary to the proxy advisor: 0%	**Zhejiang Expressway Co., Ltd.** - *Date of vote :* 04 May 2023 - *Reasoning for significant vote :* As stated in BlackRock's Global Principles, companies are responsible for ensuring they have appropriate governance structures to serve the interests of shareholders and other key stakeholders. - *Approx. holding size :* n/a - *Summary of resolution :* Amend Articles of Association - *Manager vote :* Against management - *Vote against management, was intent communicated ahead of the vote :* BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. - *Voting rationale :* BlackRock finds that shareholders' rights are likely to be diminished in material ways under the new Charter/Articles/Bylaws. - *Outcome of vote :* Withdrawn	Please see above.

BlackRock Dynamic Diversified Growth Fund (ITPF Diversified Growth Fund)	Votable Proposals: 7,308 Proposals Voted: 94% For votes: 94% Against votes:5% Abstain votes: 1% Withhold votes: n/a Non-proxy agent votes : n/a Proxy agent votes : n/a Use of proxy voter : Yes Institutional Shareholder Services' (ISS) Votes contrary to the proxy advisor: 0%	**Alphabet Inc.** - *Date of vote :* 02 June 2023 - *Reasoning for significant vote :* As discussed in BlackRock's Global Principles, effective voting rights are a fundamental right of share ownership. BlackRock believe that "one vote for one share" is a guiding principle that supports effective corporate governance. - *Approx. holding size :* n/a - *Summary of resolution :* Approve Recapitalization Plan for all Stock to Have One-vote per Share - *Manager vote :* For - *Vote against management, was intent communicated ahead of the vote :* n/a - *Voting rationale :* BlackRock believes that one vote per share is in the best interest of long term shareholders. - *Outcome of vote :* Fail	Please see above.
Insight Broad Opportunities Fund (ITPF Diversified Growth Fund)	Votable Proposals: 164 Proposals Voted: 100% For votes: 100% Against votes: 0% Abstain votes: 0% Withhold votes: 0% Non-proxy agent votes : n/a Proxy agent votes : n/a Use of proxy voter : Yes (Minerva Analytics) Votes contrary to the proxy advisor: 0%	- **Aquila European Renewables Income Fund plc** - *Date of vote : 5* June 2023 - *Reasoning for significant vote :* Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. - *Approx. holding size :* 0.6% - *Summary of resolution :* Resolution 4: To approve the continuation of the Company as an investment trust - *Manager vote :* For (against management recommendation) - *Vote against management, was intent communicated ahead of the vote :* N/A. - *Voting rationale :* Over the course of 2023, the company introduced a number of initiatives including asset life extensions, in some instances which contributed to	Insight uses Minerva Analytics (Minerva) for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva provides research expertise and voting tools through sophisticated proprietary IT systems allowing Insight to take and demonstrate responsibility for voting decisions. Independent corporate governance analysis is drawn from market, national and international legal and best practice provisions from jurisdictions around the world. Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote.

		increase in NAV per share; accretive share buybacks; debt refinancing which would enable further investment and/or return additional capital to shareholders and additional listing on a European exchange which could improve the company's marketability and liquidity on the secondary market. Insight voted in favour of the resolution for a continuation of the company as this would allow time to evaluate the success of initiatives outlined above. - *Outcome of vote :* Passed *Next steps :* Insight will continue to evaluate the effectiveness of initiatives and reassess this proposal at the next opportunity in Q3 2024.	
LGIM Future World Global Equity Index Fund (ITPF Sustainable Global Equity Fund)	Votable Proposals: 52,212 Proposals Voted: 100% For votes: 80% Against votes: 19% Abstain votes: 0% Withhold votes: n/a Non-proxy agent votes : n/a Proxy agent votes : n/a Use of proxy voter : Yes (ISS's ProxyExchange) Votes contrary to the proxy advisor: 11%	**Amazon.com, Inc.** - *Date of vote :* 2 June 2023 - *Reasoning for significant vote:* Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for their clients. - *Approx. holding size : 1.3%* - *Summary of resolution :* Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps - *Manager vote :* For (against management recommendation) - *Vote against management, was intent communicated 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. - *Voting rationale :* 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	LGIM provides details on votes that they abstained from or withheld from, LGIM Vote Disclosures (issgovernance.com) Manager's voting policy : UK Corporate Governance and Responsible Investment Principles policy document (issgovernance.com) For further information on LGIM's voting and engagement policies, please refer to the following webpage which can be found here For further information on how LGIM use proxy providers services, please refer to the following document available on their website here.

		company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as they believe 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. - *Outcome of vote :* Fail (29%) - *Next steps :* LGIM will continue to engage with the company and monitor progress.	
HSBC Islamic Equity Fund (ITPF Islamic Global Equity Fund)	Votable Proposals: 1,702 Proposals Voted: 196% For votes: 76% Against votes: 23% Abstain votes: 0% Withhold votes: n/a Non-proxy agent votes : n/a Proxy agent votes : n/a Use of proxy voter : Yes (ISS's ProxyExchange) Votes contrary to the proxy advisor: 0%	**ABB Ltd.** - *Date of vote :* 21 March 2024 - *Reasoning for significant vote : HSBC* has a significant weight in the portfolio and voted against management. - *Approx. holding size : 0.27%* - *Summary of resolution :* Approve Remuneration Report (Non-Binding) - *Manager vote :* No (against management recommendation) - *Vote against management, was intent communicated ahead of the vote :* No - *Voting rationale : HSBC c*onsider the quantum of the total pay excessive. - *Outcome of vote :* Pass - *Next steps : HSBC* will likely vote against a similar proposal should we see insufficient improvements.	Information on HSBC's voting policy and use of proxy voting services can be found here: Global Voting Guidelines

Proxy voting:

LGIM:

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. Their 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 they receive from ISS for UK companies when making specific voting decisions.

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

BlackRock:

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS). Voting decisions are made by members of the BIS team with input from investment colleagues as required, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

BlackRock use Institutional Shareholder Services' (ISS) electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock work with proxy research firms, ISS and Glass Lewis, who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision. However, BlackRock do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

HSBC:

To enable efficient proxy voting operations, HSBC work with the Institutional Shareholder Services (ISS) which provides research, a voting platform and disclosure services. Their global voting guidelines, together with their own research, inform more granular voting policy instructions, based on which ISS provide them with custom voting recommendations for each shareholder meeting. Should an investment or stewardship team identify a proposal which should be voted differently to HSBC's custom voting recommendation, a designated group of specialists including relevant investment teams will discuss and aim to make a collective decision on a vote. If the group does not reach an agreement, the vote may be escalated to the ESG Investment Committee or in some cases the local CIO.