

Implementation Statement

The First UK Bus Pension Scheme – DC Section

Purpose of this statement

This Implementation Statement has been prepared by the Trustee (“the Trustee”) of the First UK Bus Pension Scheme (“the Scheme”) in respect of the Scheme’s Defined Contribution (“DC”) section. It covers the Scheme year to 5 April 2023 and sets out the following information:

- how the Trustee’s policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Scheme’s investment managers on behalf of the Trustee over the year, including information regarding the most significant votes
- A summary of any changes to the Statement of Investment Principles (SIP) over the period; and
- A description of how the Trustee’s policies, included in their SIP, have been followed over the year.

The voting behaviour is not given over the Scheme year end to 05 April 2023 because investment managers only report on this data quarterly, we have therefore given the information over the year to 31 March 2023.

Stewardship policy

The Trustee’s Statement of Investment Principles (SIP) in force at 5 April 2023 describes the Trustee’s stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in September 2020 and has been made available online below. The Trustee will be undertaking a full review of the SIP in due course to reflect the Scheme’s changing circumstances.

[dc-and-db-sip-2022.pdf \(firstbuspensionschemetrustee.co.uk\)](#)

As at the end of the reporting period, the Trustee had not set any formal stewardship priorities for the Scheme but was considering the extent that they wished to do so in due course. However, the Trustee takes the stewardship priorities, climate risk, and ESG factors into account at manager selection. The Trustee also reviews the stewardship and engagement activities of the investment managers.

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme’s fund managers.

The Trustee’s policy on voting and engagement is set out in the Scheme’s Environmental, Social, and Governance (“ESG”) and Stewardship Policy, which forms part of the Statement of Investment Principles. The Trustee expects all managers to;

1. Exercise voting powers with the objective of preserving and enhancing long-term shareholder value;
2. Engage with stakeholders relating to its investments in order to:
 - a. improve corporate behaviours and governance;

- b. improve performance, and social and environmental impact;
- c. mitigate financial risks.

The Trustee periodically reviews engagement activity undertaken by its underlying investment managers to ensure that the policies outlined above are being met. In addition to this, the Trustee considers it to be a part of its investment managers' role to assess and monitor how the companies in which they are investing are managing developments in ESG-related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the manager invests on behalf of the Scheme.

To ensure that the investment policies set out in the SIP are taken by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates certain responsibilities to its bundled pension provider, Aegon – the DC Section's default investment option is structured as a 'governed' investment solution, which is designed and implemented by Aegon. Aegon is responsible for the selection and deselection of the underlying investment managers used through the default investment option as well as the ongoing relationships with the investment managers.

The Trustee undertook an initial review of the stewardship and engagement activities of the current managers at their 12 June 2019 meeting, and were satisfied that their policies were reasonable and no remedial action was required at that time. The Trustee has subsequently added an ESG-focussed fund to the self-select fund range.

The Trustee carries out a strategy review at least every three years where it assesses the continuing relevance of the strategy in the context of the Scheme's membership and its aims, beliefs and constraints. Annually the Trustee receives and reviews voting information and engagement policies from the asset managers, which it reviews to ensure alignment with its own policies. The Trustee believes that the voting and engagement activities undertaken by the asset managers on its behalf have been in the members' best interests.

The Trustee takes time to ensure it has obtained training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments. Post reporting period, the Trustee has arranged for a training session on DC investments that includes a section on responsible investing.

As part of ongoing monitoring of the Scheme's investment managers, the Trustee uses ESG ratings information provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues.

Having reviewed the above in accordance with its policies, the Trustee is comfortable the actions of the fund managers are in alignment with the Scheme's stewardship policies.

How the SIP has been followed over the year

In the Trustees' opinion, the SIP has been followed over the year in the following ways:

- **The DC Section offers a suitable default investment option for members.** The Trustee, supported by the Trustee's professional advisers, completed a triennial review of the default investment option in May 2022, which considered the membership profile of the DC Section and their potential needs. The review highlighted the progress Aegon have made in integrating ESG factors into the Scheme's default investment strategy and it was deemed that the strategy remained suitable for the membership. The Trustees have made no new manager appointments over the year.

- **An appropriate range of self-select options is made available.** As part of the May 2022 review noted above, the Trustee also considered the range of self-select investment options provided through the DC Section. These options are designed to provide flexibility for members and allow them to tailor their investment choices to meet their needs. The review concluded that the range was suitable considering the current demand for ESG / special interest self-select options.
- **New ESG option added to DC Section's investment options.** Last Scheme year, the Trustee added an ESG equity fund to the self-select range, after taking advice on a suitable option in February 2021. Over the year one member has invested in the new ESG fund. Despite this investment, the lower levels of interest in such investments is a material factor in the decision not to develop a more expansive self-select fund range.
- **Quarterly monitoring of the managers' ESG capabilities did not identify any issues.** The Trustee, supported by its professional advisers, monitor ESG characteristics of the DC Section's default investment option quarterly. The default has seen a number of positive changes enacted which reflect the Trustee's beliefs regarding ESG considerations.

Aegon also provides quarterly investment performance reporting to support the Trustee with this review. There were no instances where the performance of the DC Section's investment funds deviated from the performance of their stated benchmarks such that remedial action was necessary.

- **Ongoing review of the investment managers' policies on ESG, stewardship and engagement.** The Scheme's DC Section invests entirely in pooled funds via the Aegon platform, and as such, the responsibility for carrying out voting and engagement activities has been delegated to the Scheme's fund managers. The Trustee, completed an initial assessment of the Environmental, Social and Governance (ESG) and stewardship policies of Aegon and the DC Section's pooled fund managers. This assessment formed part of the triennial investment review. As a result of this assessment the Trustee concluded that the policies of Aegon and the DC Section's pooled fund managers were reasonable and were not out of line with the Trustee's own policies outlined in the SIP. As such, no immediate action was taken.
- **Non-financial matters did not influence the investment strategy over the Scheme year.** The Trustee did not make any allowance for non-financial matters and did not consider any member views for incorporation into its ESG policy over the Scheme year.
- **Communicating ESG and stewardship with DC Section members.** The Trustee expects that the annual communication to members regarding ESG and stewardship will be addressed in this annual Implementation Statement. This document is a statutory report and will continue to be produced on an annual basis alongside the Scheme's Annual Report and Accounts.

**Prepared by the Trustee of the First UK Bus Pension Scheme
August 2023**

Voting Data

Investment managers report voting data on a quarterly basis. As a result, the information included in this section covers the year to 31 March 2023.

The equity allocation for the LifePath Flexi, LifePath Capital and LifePath Retirement lifestyle funds is the same in terms of the underlying funds used. As such the voting data and significant votes will be identical for these lifestyle funds. Fund's underlying the LifePath default target date funds (such as the iShares Global Property Securities Equity Fund (UK)) that include voting rights are included within the LifePath voting data. The underlying funds with no voting rights (held in commodity swap, corporate bonds, government bonds, emerging market debt and cash asset classes) are not included here.

The funds that underlie the self-select property fund that are held with Aviva, Columbia Threadneedle, LGIM and Abrdn, the BlackRock cash and government bond funds and the abrdn Standard Life Corporate Bond Fund have no voting rights and limited ability to engage with key stakeholders given the nature of the mandate.

Manager	BlackRock	BlackRock	BlackRock	BlackRock	BlackRock	HSBC	Dimensional
Fund name	LifePath	ACS UK Equity Tracker	ACS World ex UK Equity Tracker	ACS World ESG Equity Tracker	DC Diversified Growth Fund	HSBC CCF Islamic Global Equity Index	Dimensional Emerging Markets Fund
Structure	Pooled						
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.						
No. of eligible meetings	7,829	1,072	2,235	367	103	95	1,649
No. of eligible votes	80,206	14,903	27,694	5,653	1,349	1,423	10,745
% of resolutions voted	93%	96%	92%	95%	85%	97%	38%
% of resolutions abstained²	1%	1%	0%	0%	1%	0%	2%
% of resolutions voted with management¹	90%	94%	92%	95%	97%	81%	86%
% of resolutions voted against management¹	9%	5%	7%	4%	2%	20%	13%

¹ As a percentage of the total number of resolutions voted on

² BlackRock class an abstention from a vote as a vote.

Sum's may not total 100% due to rounding.

Manager	BlackRock	BlackRock	BlackRock	BlackRock	BlackRock	HSBC	Dimensional
% of meetings, where they voted and voted at least once against management	37%	27%	31%	25%	23%	79%	51%
Proxy voting advisor employed				ISS			
% of resolutions voted against proxy voter recommendation¹	0%	0%	0%	0%	0%	12%	n/a

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities. At this time, the Trustee has not set stewardship priorities for the Scheme so, for this Implementation Statement, the Trustee has asked the investment managers to determine what they believe to be a “significant vote”. The Trustee has not communicated voting preferences to their investment managers over the period, as the Trustee is yet to develop a specific voting policy.

BlackRock, HSBC and Dimensional have provided a selection of votes which they believe to be significant. In the absence of agreed stewardship priorities the Trustee has selected 3 votes from each manager, that cover a range of themes to represent what it considers the most significant votes cast on behalf of the Scheme. To represent the most significant votes, the votes of the largest holdings relating to each topic are shown below.

Despite continued work with managers to improve reporting standards, BlackRock have failed to provide all details requested on these votes. The manager does however, provide additional detail on engagements and votes made at a firm level. If you would like to review these detailed significant votes then these can be found online: BlackRock ‘vote bulletins’ - <https://www.blackrock.com/corporate/about-us/investment-stewardship>

A summary of the significant votes provided is set out below.

BlackRock, LifePath Flexi

	Vote 1	Vote 2	Vote 3
Company name	Warrior Met Coal, Inc.	The Home Depot, Inc.	Netflix, Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)		Data not provided	
Summary of the resolution	Require a Majority Vote for the Election of Directors	Oversee and Report a Racial Equity Audit	Advisory Vote to Ratify Named Executive Officers' Compensation
How the manager voted	For	For	Against

	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	BlackRock consider this to be in the best interests of shareholders.	BlackRock believe it is in the best interests of shareholders to have access to greater disclosure on this issue.	BlackRock believe the pay is not aligned with performance and peers.
Outcome of the vote	Pass	Pass	Fail
Implications of the outcome		Data not provided	
Criteria on which the vote is considered "significant"		Data not provided	

BlackRock, ACS UK Equity Tracker

	Vote 1	Vote 2	Vote 3
Company name	Marathon Petroleum Corporation	Grupo Mexico S.A.B. de C.V.	TotalEnergies SE
Approximate size of fund's holding as at the date of the vote (as % of portfolio)		Data not provided	
Summary of the resolution	Report on Climate Strategy Consistent with International Labour Organization's "Just Transition Guidelines"	Elect or Ratify Directors Verify Independence of Board Members Elect or Ratify Chairmen and Members of Board Committees	Approve Company's Sustainability and Climate Transition Plan
How the manager voted	Against	Against	For
Rationale for the voting decision	BlackRock believe that the company already provides sufficient disclosure and reporting regarding this issue, or is already enhancing its relevant disclosures.	The Company does not meet BlackRock's expectations of having adequate climate risk disclosures against all 4 pillars of TCFD nor does it have climate-related metrics and targets. Blackrock also feel that there was a lack of adequate disclosure here.	BlackRock supported this proposal in recognition of the company's clearly disclosed climate transition plan to manage climate-related risks and opportunities and the progress made against this strategy.
Outcome of the vote	Fail	Pass	Fail
Implications of the outcome		Data not provided	
Criteria on which the vote is considered "significant"		Data not provided	

BlackRock, ACS World ex UK Equity Tracker

	Vote 1	Vote 2	Vote 3
Company name	HCA Healthcare, Inc.	Intel Corporation	Chevron Corporation

	Vote 1	Vote 2	Vote 3
Approximate size of fund's holding as at the date of the vote (as % of portfolio)		Data not provided	
Summary of the resolution	Report on Lobbying Payments and Policy	Report on Third-Party Civil Rights Audit	Oversee and Report on Reliability of Methane Emission Disclosures
How the manager voted	Against	Against	For
Rationale for the voting decision	BlackRock believe that the company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies.		BlackRock believe it is in the best interests of shareholders to have access to greater disclosure on this issue.
Outcome of the vote	Fail	Fail	Pass
Implications of the outcome		Data not provided	
Criteria on which the vote is considered "significant"		Data not provided	

BlackRock, ACS World ESG Equity Tracker

	Vote 1	Vote 2	Vote 3
Company name	Bank of Montreal	Amazon.com, Inc.	Alphabet Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)		Data not provided	
Summary of the resolution	Adopt a Policy to Ensure the Bank's Financing is Consistent with International Energy Agency's Net Zero Emissions by 2050 Scenario	Commission a Third Party Audit on Working Conditions	Approve Recapitalization Plan for all Stock to Have One-vote per Share
How the manager voted	Against	Against	For
Rationale for the voting decision	BlackRock believe the request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company.	The company already provides sufficient disclosure and reporting regarding this issue, or is already enhancing its relevant disclosures.	BlackRock believe that one vote per share is in the best interest of long term shareholders
Outcome of the vote	Fail	Fail	Fail
Implications of the outcome		Data not provided	
Criteria on which the vote is considered "significant"		Data not provided	

BlackRock, DC Diversified Growth

BlackRock only provided two significant votes for the DC Diversified Growth Fund.

	Vote 1	Vote 2
Company name	Siemens AG	Siemens AG
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Data not provided	
Summary of the resolution	Amend Articles Re: Participation of Supervisory Board Members in the Annual General Meeting by Means of Audio and Video Transmission	Approve Virtual-Only Shareholder Meetings Until 2025
How the manager voted	For	For
Rationale for the voting decision	BlackRock supported these management proposals because they were aligned with regulatory requirements and, in their assessment, the company was taking the necessary steps to ensure that shareholder rights were respected.	
Outcome of the vote	Pass	Pass
Implications of the outcome	Data not provided	
Criteria on which the vote is considered "significant"	Data not provided	

HSBC, CCF Islamic Global Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Visa Inc.	Novo Nordisk A/S
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	7.00%	2.00%	1.09%
Summary of the resolution	Elect Director Sue Wagner	Advisory Vote to Ratify Named Executive Officers' Compensation	Approve Remuneration Report (Advisory Vote)
How the manager voted	Against	Against	Against
Rationale for the voting decision	HSBC have concerns about insufficient diversity of the board.	HSBC are against grant of shares or options to executives within the Long-Term Incentive Plan (LTIP) that are not majority (+51%) linked to performance criteria. They are also against the granting of shares or options to executives within the LTIP if the vesting period is less than 3 years.	HSBC consider the quantum of the total pay excessive. They consider the performance measurement period for the LTIP too short.
Outcome of the vote	Pass	Pass	Pass

	Vote 1	Vote 2	Vote 3
Implications of the outcome	HSBC will continue to engage on the issue along with other issues of concern, and will likely vote against a similar proposal should they see insufficient improvements.	HSBC will likely vote against a similar proposal should they see insufficient improvements.	HSBC will likely vote against a similar proposal should they see insufficient improvements.
Criteria on which the vote is considered "significant"	The company is on HSBC's 2023 engagement priority list, it has a significant weight in the portfolio and they voted against management.	The company has a significant weight in the portfolio and HSBC voted against management.	The company has a significant weight in the portfolio and HSBC voted against management.

Dimensional, Emerging Markets Fund

	Vote 1	Vote 2	Vote 3
Company name	Container Corporation of India Ltd.	Dis-Chem Pharmacies Ltd.	Pick N Pay Stores Limited
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.03%	0.02%	0.04%
Summary of the resolution	Elect Director	Ratify Auditors	Elect Members of Audit Committee
How the manager voted	Against	Against	Against
Rationale for the voting decision	Dimensional voted against non-independent directors because the level of board independence was below the market requirement.	Dimensional voted against this proposal because the fees paid to external auditors in respect of the year under review is not disclosed.	Dimensional voted against non-independent members of the Audit, Risk and Compliance Committee because market best practice is for members of this Committee to be independent.
Outcome of the vote	Pass	Pass	Pass
Implications of the outcome	Dimensional continues to monitor the independence of the board and may continue to vote against directors if the board fails to comply with market best practice.	Dimensional continues to monitor the company and may continue to vote against similar proposals if disclosure remains lacking.	Dimensional continues to monitor the independence of the Audit, Risk and Compliance Committee and may continue to vote against directors if the members of the committee remain non-independent.
Criteria on which the vote is considered "significant"	Director elections are one of the key areas of focus for Dimensional globally. Shareholders elect the board of a Portfolio Company to represent their interests and oversee management and expect boards to adopt policies	The Audit Committee is responsible for ensuring that policies and procedures are followed and overseeing the financial reporting and disclosure process. The external auditor is hired by the Audit Committee to ensure the	Director elections are one of the key areas of focus for Dimensional globally. Shareholders elect the board of a Portfolio Company to represent their interests and oversee management and expect boards to adopt policies

	Vote 1	Vote 2	Vote 3
	and practices that align the interests of the board and management with those of shareholders and limit the potential for conflicts of interest.	Company has executed these policies and procedures and presented its financial statements in accordance with the applicable accounting standards.	and practices that align the interests of the board and management with those of shareholders and limit the potential for conflicts of interest.

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds. Data for BlackRock, HSBC and LGIM is given over the year to 31 March 2023, however as a result of data limitations, data for Dimensional and abrdn is given over the year to 31 December 2022.

At the time of writing, some of the managers were unable to provide specific engagement data.

Manager	BlackRock	BlackRock	BlackRock	BlackRock	BlackRock	HSBC
Fund name	LifePath	ACS UK Equity Tracker	ACS World Ex UK Equity Tracker	ACS World ESG Equity Tracker	DC Diversified Growth Fund	HSBC CCF Islamic Global Equity Index
Number of engagements undertaken on behalf of the holdings in this fund in the year	2,341	3,210	1,773	682	370	35
Number of entities engaged on behalf of the holdings in this fund in the year	1,551	2,014	1,051	361	212	23
Number of engagements undertaken at a firm level in the year	3,963	3,963	3,963	3,963	3,963	2,632

Manager	Dimensional	Abrdn	Abrdn	LGIM	Columbia Threadneedle	Aviva
Fund name	Dimensional Emerging Markets Fund	Standard Life Corporate Bond Fund	Standard Life Property Fund	LGIM Managed Property Fund	Aegon Threadneedle	Aviva Pensions Property Fund

Manager	Dimensional	Abrdn	Abrdn	LGIM	Columbia Threadneedle	Aviva
					Pensions Property	
Number of engagements undertaken on behalf of the holdings in this fund in the year	n/a	n/a	n/a	33	n/a	n/a
Number of entities engaged on behalf of the holdings in this fund in the year	n/a	n/a	n/a	15	n/a	n/a
Number of engagements undertaken at a firm level in the year	601	1,443	1,443	1,088	n/a	n/a

Given a business merger and a change in reporting procedures, Columbia Threadneedle were unable to provide engagement data. Aviva no longer provide engagement data on this fund.

Examples of firm level engagement activity undertaken over the year to 31 March 2023

BlackRock

Netflix, Inc. (Netflix)

BlackRock Investment Stewardship (BIS) has engaged with Netflix on corporate governance and sustainable business matters that they believe contribute to the company's ability to deliver the durable, long-term shareholder returns on which BlackRock's clients depend to meet their financial goals, including board effectiveness, shareholder rights, human capital management, executive compensation and corporate political activities disclosures.

HSBC

PepsiCo

The engagement was designed at improving healthiness of the food & beverage portfolio and improving nature outcomes and resiliency in the company supply chain. In addition, there were aims of developing a positive nutrition target and developing interim regenerative agriculture milestones. HSBC believes PepsiCo can do more on positive nutrition, which could help company capture growth in faster growing wellness categories. In Q1 2022 HSBC arranged a meeting with the company pre-AGM and discussed their concerns and ambitions. In Q2 2022, HSBC held a meeting with VP of Global Environment Policy, and VP of Global Nutritional Science. They pressed the company to add interim targets to regenerative agriculture policy, and make clear how they would get to 2030 goal (including disclosure on what farming practices they consider regenerative). They raised the idea of a positive nutrition quantitative target with company. Post meeting HSBC met with a leading nutrition NGO to understand what a credible positive nutrition target for PepsiCo could look like. They have shared their proprietary regenerative agriculture engagement research with company. In the Q3 2022 meeting with PepsiCo's regenerative

agriculture lead. HSBC learned more about the implementation of the regenerative agriculture plan, and how key variables would be measured. They also probed the pre-competitive work PepsiCo does to raise standards across FMCG and within their supply chain, with farmer training being a key challenge.

PepsiCo told HSBC that a positive nutrition target is an emerging idea being discussed internally, as adding wholegrains to foods may exceed benefits of reducing sugars and salts. The company has since provided a \$1bn revenue target for positive nutrition products by 2030. After meeting their regenerative agriculture lead, HSBC encouraged company to better disclose their work on regenerative agriculture, and give investors shorter term milestones. They promised to raise HSBC's points at the upcoming external disclosures committee, and HSBC have followed up on this.

Dimensional

Guess

In 2018, Dimensional engaged with Guess regarding allegations of sexual harassment against its director and founder. In the years following, the company faced additional harassment allegations and lawsuits. Guess also has several poor governance practices, including a plurality voting standard and no shareholder right to proxy access, to act by written consent, or to call a special meeting. Ahead of Guess's April 2022 shareholder meeting, Dimensional engaged with the company again on these issues. Their evaluation indicated that the company could not comment on whether or not the board would remove the directors should they receive a majority vote against their re-election. Dimensional sought and obtained the approval of the Investment Stewardship Committee to recall its clients' shares on loan and to consider the revenue-producing value of the loan against the value of casting votes.

abrdn

Rio Tinto PLC

Abdrn have had ongoing engagement with Rio Tinto on multiple ESG issues for many years. This has included several meetings with the group following allegations of sexual discrimination and harassment at its fly in fly out sites, and a subsequent inquiry by a Western Australian parliamentary committee. The parliamentary inquiry into sexual harassment found significant issues and encouraged the company to carry out a full review. The company launched an independent review led by former Australian Sex Discrimination Commissioner Elizabeth Broderick which was published externally and included 26 recommendations. Abdrn discussed in detail the outcomes of the recommendations and the steps that the company was going to put in place. The company put together a strategy to address the outcomes of the parliamentary review and committed to implement all 26 recommendations and publicly report on its progress against them. Abdrn were supportive of the steps that the company was taking to address the issues at its fly in fly out sites and its openness to both discuss the issues and recognise that it needed to change practices.

However, in light of the serious nature of the issues highlighted abdrn abstained on the approval of the company's annual report & accounts at the 2022 AGM.

LGIM

Sumitomo Mitsui Trust Holdings

High levels of cross-shareholding are common in Japan. Reducing these cross-shareholdings remains a challenge for many Japanese companies, including its biggest banks, despite various reforms implemented by Japan's FSA and the Tokyo Stock Exchange. Sumitomo Mitsui Trust Holdings (SuMi Trust) approached LGIM for a meeting. LGIM had a discussion with the company, including about the established threshold of no more than 20% of assets to be held in cross-shareholdings. 20% is the level that is applied in LGIM's own voting policy, in line with market expectations and similar voting thresholds at the main proxy advisers, and LGIM were keen to understand SuMi Trust's plans in this area. LGIM were pleased to hear that the board had put in place clear plans to reduce cross-shareholdings to 0% over time, and this alleviated their concerns regarding the existing level.

LGIM's corporate governance policy for Japan was amended with regard to cross-shareholdings to improve companies' capital management. From 2022, they applied votes against the board chair due to strategic shareholdings exceeding 20% of net assets. In line with this strengthened policy, LGIM lodged over 160 votes against individual directors at Japanese companies for inappropriate capital management. Although LGIM's concerns were alleviated at SuMi Trust following their meeting, a vote was applied at the June AGM against the re-election of the chair for other governance issues. As an executive director, he is also a member of the nomination and remuneration committees, which LGIM believe may hinder the operations of these supervisory committees. LGIM set up a meeting in early 2023 and will continue to engage with the company.