

Implementation Statement, covering the Plan Year from 1 April 2022 to 31 March 2023

The Trustee of the Philip Morris Group Pension Plan (the “Plan”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Plan Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustee has had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement](#), issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Plan Year. The last time these policies were formally reviewed was September 2020. The Trustee has, in its opinion, followed the Plan’s voting and engagement policies during the Plan Year.

2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustee takes ownership of the Plan’s stewardship by monitoring and, if necessary, engaging with managers and escalating as necessary as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Plan’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

Following the introduction of DWP’s guidance, the Trustee agreed to set stewardship priorities to focus engagement with their investment managers on specific ESG factors. The Trustee discussed and agreed the stewardship priority for the Plan at the meeting in March 2023.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims (supported by its investment adviser) to have an ongoing dialogue with its manager to clarify expectations and encourage improvements.

3. Description of voting behaviour during the Plan Year

All of the Trustee’s holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Plan Year. However, the Trustee monitors managers’ voting and engagement behaviour on an annual basis and is prepared to challenge managers where their activity has not been in line with the Trustee’s expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP’s guidance, on the Plan’s funds that hold equities as follows:

- State Street Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund
- State Street Emerging Markets ESG Screened Index Equity Sub- Fund
- State Street Europe ex UK ESG Screened Index Equity Sub- Fund
- State Street Japan ESG Screened Index Equity Sub-Fund
- State Street North America ESG Screened Index Equity Sub-Fund
- State Street UK ESG Screened Index Equity Sub-Fund

3.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place. The Trustee is comfortable that the policies are aligned with the Trustee's views.

State Street Global Advisors (SSGA)

SSGA use a variety of third-party service providers to support its stewardship activities. Data and analysis from service providers are used as inputs to help inform SSGA's position and assist with prioritization. However, all voting decisions and engagement activities are undertaken in accordance with SSGA's in-house policies and views, ensuring the interests of its clients remain the sole consideration when discharging SSGA's stewardship responsibilities. SSGA has contracted Institutional Shareholder Services (ISS) to assist it with managing the voting process at shareholder meetings. SSGA use ISS to:

1. act as its proxy voting agent (providing SSGA with vote execution and administration services);
2. assist in applying its voting guidelines;
3. provide research and analysis relating to general corporate governance issues and specific proxy items; and,
4. provide proxy voting guidelines in limited circumstances.

In addition, SSGA also have access to Glass Lewis and region specific meeting analysis provided by the Institutional Voting Information Service. Research and data provided by these third parties complement SSGA's in-house analysis of companies and individual ballot items. All final voting decisions are based on SSGA's proxy voting policies and in-house operational guidelines.

As an investment manager, SSGA have discretionary proxy voting authority over most of its client accounts. SSGA carefully votes these proxies in the manner that will protect and promote the long-term economic value of its client investments.

SSGA's Stewardship team's activities are overseen by its ESG Committee, who are responsible for reviewing its stewardship strategy, engagement priorities and proxy voting guidelines, and monitors the delivery of voting objectives. In addition, SSGA's ESG Committee provides oversight of its Stewardship team, reviews departures from its proxy voting guidelines, and reviews conflicts of interest involving proxy voting.

SSGA enhance the services provided by its in-house resources through third-party service providers. The most notable of these are third-party data providers such as Institutional Shareholder Services (ISS) who are utilised to assist SSGA with managing the voting process at shareholder meetings. In the voting process, SSGA use ISS to help us monitor our voting rights across the asset classes in which we invest.

SSGA's Stewardship team reviews its Proxy Voting Guidelines with ISS on an annual basis or on a case-by-case basis as needed. ISS affects the proxy votes in accordance with SSGA's Proxy Voting Guidelines. Voting matters that are nuanced or that require additional analysis are referred to and reviewed by members of SSGA's Stewardship team. Members of SSGA's Stewardship team evaluate the proxy solicitation to determine how to vote based on facts and circumstances consistent with its Proxy Voting Guidelines, which seek to maximize the value of SSGA's client accounts.

As an extra precaution, SSGA's Stewardship team will refer significant issues to the ESG Committee for a determination of the proxy vote. In addition, other measures are put in place in terms of when and whether or not to refer a proxy vote to the ESG Committee. For instance, SSGA's Stewardship team takes into account whether a material conflict of interest exists between its clients and those of its firm or its affiliates. If such a case occurs, there are detailed guidelines for how to address this concern (refer to the Mitigating Conflict of Interest Guidelines for additional details).

SSGA votes at over 20,000 meetings on an annual basis and prioritizes companies for review based on factors including the size of SSGA's holdings, past engagement, corporate performance and voting items identified as areas of potential concern. Based on this assessment, SSGA will not only allocate appropriate time and resources to shareholder meetings, but will also assign specific ballot items of interest to ensure maximization of value for its clients.

3.2 Summary of voting behaviour

A summary of voting behaviour over the Plan Year is provided in the table below.

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6
Manager name	SSGA	SSGA	SSGA	SSGA	SSGA	SSGA
Fund name	Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund	Emerging Markets ESG Screened Index Equity Sub- Fund	Europe ex UK ESG Screened Index Equity Sub-Fund	Japan ESG Screened Index Equity Sub-Fund	North America ESG Screened Index Equity Sub-Fund	UK ESG Screened Index Equity Sub-Fund
Total size of fund at end of the Plan Year	£1.0bn	£3.5bn	£1.9bn	£0.9bn	£3.7bn	£2.5bn
Value of Plan assets at end of the Plan Year (£ / % of total assets)	£0.4m / 1.1%	£0.4m / 1.1%	£1.6m / 4.1%	£0.5m / 1.4%	£1.5m / 3.8%	£4.5m / 11.4%
Number of equity holdings at end of the Plan Year	386	1,920	434	514	638	384
Number of meetings eligible to vote	463	4,010	500	494	652	678
Number of resolutions eligible to vote	3,242	34,225	8,966	6,134	8,190	10,122
% of resolutions voted	100.0%	97.1%	99.0%	100.0%	99.4%	100.0%
Of the resolutions on which voted, % voted with management	84.4%	82.1%	89.2%	93.1%	90.4%	93.2%
Of the resolutions on which voted, % voted against management	15.6%	17.9%	10.8%	6.9%	9.6%	6.8%
Of the resolutions on which voted, % abstained from voting	0.6%	2.4%	0.7%	0.0%	0.4%	0.2%
Of the meetings in which the manager voted, % with at least one vote against management	57.9%	49.8%	65.1%	46.6%	60.6%	66.5%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	10.9%	7.2%	6.1%	6.3%	11.3%	6.3%

Source: SSGA. Votes of abstain can be counted both as a vote of abstain but also as a vote against management. Hence, vote with management, vote against management and abstain from voting may add up to more than 100%.

3.3 Most significant votes

Commentary on the most significant votes over the Plan Year, from the Plan's asset managers who hold listed equities, is set out below.

State Street Global Advisors

State Street Global Advisors identified "significant votes" as follows:

1. All votes on environmental-related shareholder proposals.

2. *All votes on compensation proposals where we voted against the management's recommendation.*
3. *All against votes on the re-election of board members due to poor ESG performance of their companies (as measured by SSGA's proprietary R-Factor ESG score).*
4. *All against votes on the re-election of board members due to poor compliance with the local corporate governance score of their companies (as measured by SSGA's proprietary R-Factor Corporate Governance score).*
5. *All against votes on the re-election of board members due to a lack of gender diversity on the board.*

The Trustee did not inform its managers which votes it considered to be most significant in advance of those votes. The Trustee will consider the practicalities of informing managers ahead of the vote and will report on it in next year's Implementation Statement.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria¹ for creating this shortlist.

Due to the number of significant votes provided by SSGA, the Trustee has chosen a subset of votes to report on in the Statement (one for each fund).

Santos Limited, 3 May 2022.

Summary of the resolution: Advisory vote to ratify named executive officers' compensation.

Type of issue: Governance.

Approximate size of the holding at the date of the vote: 0.6%

Company management recommendation: For. **Fund manager vote:** Against.

Rationale: This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.

Was the vote communicated to the company ahead of the vote? SSGA does not publicly communicate its vote in advance.

Outcome of the vote and next steps: The resolution passed (75% voting FOR). Where appropriate SSGA will contact the company to explain its voting rationale and conduct further engagement.

Pinduoduo Inc., 8 February 2023.

Summary of the resolution: Elect director.

Type of issue: Governance.

Approximate size of the holding at the date of the vote: 0.6%

Company management recommendation: For. **Fund manager vote:** Against.

Rationale: SSGA voted against the nominee due to the lack of gender diversity on the board.

Was the vote communicated to the company ahead of the vote? SSGA does not publicly communicate its vote in advance.

¹ [Vote reporting template for pension Plan implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://www.plsa.co.uk/guidance-for-trustees). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

Outcome of the vote and next steps: The resolution passed (85% voted FOR). Where appropriate SSGA will contact the company to explain its voting rationale and conduct further engagement.

L'Oreal SA, 21 April 2022.

Summary of the resolution: Approve remuneration policy.

Type of issue: Governance.

Approximate size of the holding at the date of the vote: 1.3%

Company management recommendation: For. **Fund manager vote:** Against.

Rationale: This item did not merit support as SSGA had concerns with the proposed remuneration structure for senior executives at the company.

Was the vote communicated to the company ahead of the vote? SSGA does not publicly communicate its vote in advance.

Outcome of the vote and next steps: The resolution passed (93% voted FOR). Where appropriate SSGA will contact the company to explain its voting rationale and conduct further engagement.

Chubu Electric Power Co., Inc, 28 June 2022.

Summary of the resolution: Phase out nuclear facilities.

Type of issue: Environmental.

Approximate size of the holding at the date of the vote: 0.2%

Company management recommendation: Against. **Fund manager vote:** Against.

Rationale: This proposal did not merit support as SSGA believes the company's disclosure and/or practices related to nuclear power are reasonable.

Was the vote communicated to the company ahead of the vote? SSGA does not publicly communicate its vote in advance.

Outcome of the vote and next steps: The outcome of the vote was not provided. Where appropriate SSGA will contact the company to explain its voting rationale and conduct further engagement.

Starbucks Corporation, 23 March 2023.

Summary of the resolution: Environmental impact report.

Type of issue: Environmental.

Approximate size of the holding at the date of the vote: 0.3%

Company management recommendation: Abstain. **Fund manager vote:** Against.

Rationale: SSGA abstained on the proposal as they believe the company's disclosures on this item are broadly in line with market standard, but could be enhanced.

Was the vote communicated to the company ahead of the vote? SSGA does not publicly communicate its vote in advance.

Outcome of the vote and next steps: The resolution failed (95% voted AGAINST). Where appropriate SSGA will contact the company to explain its voting rationale and conduct further engagement.

Standard Chartered Plc, 4 May 2022.

Summary of the resolution: Climate change action.

Type of issue: Environmental.

Approximate size of the holding at the date of the vote: 0.7%

Company management recommendation: Against. **Fund manager vote:** Against.

Rationale: This proposal did not merit support as SSGA believes the company's disclosure and/or practices relating to climate change are reasonable.

Was the vote communicated to the company ahead of the vote? SSGA does not publicly communicate its vote in advance.

Outcome of the vote and next steps: The resolution failed (88% voted AGAINST). Where appropriate SSGA will contact the company to explain its voting rationale and conduct further engagement.