
Galderma (UK) Limited Section of the Deloitte Pensions Master Plan

Implementation Statement

For the year ended 31 March 2023

Introduction

This Implementation Statement (the "Statement") has been prepared by the Section Trustee (the "Trustee") of the Galderma (UK) Limited Section of the Deloitte Pensions Master Plan (the "Scheme") to demonstrate how the Trustee has acted on certain policies within its Statement of Investment Principles ("SIP").

Each year, the Trustee must produce an Implementation Statement that demonstrates how it has followed certain policies within the Scheme's SIP over the year. This Implementation Statement covers the Scheme year from 1 April 2022 to 31 March 2023.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit ("DB") investments held by the Scheme.

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

SIP Policies

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

Over the past year the Scheme has continued to follow the strategy as per the Scheme's SIP, which was reviewed and updated to reflect changes in investment strategy in March 2022. As such, there have been no changes to the policies listed below over the year, including to ESG.

The Scheme's SIP includes policies on:-

- How "financially material considerations" including environmental, social and governance ("ESG") considerations, are taken into account when making investment decisions for the Scheme;
- The extent to which non-financial matters are taken into account in the investment decision-making process;
- Stewardship and voting policy, including details on monitoring and engaging with the investee companies in which they invest (and other relevant stakeholders) on relevant matters (including performance, strategy, risks, corporate governance, ESG, capital structure and the management of actual or potential conflicts of interest);
- A policy on monitoring the Scheme's asset managers, particularly concerning financial arrangements and ESG factors; and
- A policy covering the duration of arrangements with the Scheme's investment manager.

This Implementation Statement reviews the voting and engagement activities covering the 12-month period to the Scheme year-end and the extent to which the Trustee believes the policies within the SIP have been followed.

The Scheme was invested in pooled funds managed by Legal & General Investment Management ("LGIM") (the "Investment Manager") over the Scheme year under review to 31 March 2023.

It is therefore LGIM that is responsible for the policy on taking ESG considerations into account in the selection, retention and realisation of investments within the pooled investment vehicles and for the exercise of rights (including voting rights) attaching to these investments. The Trustee's policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Scheme's interests in the investments.

The Trustee expects LGIM to engage with investee companies (and other relevant persons including, but not limited to, investment managers, and issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments. The Trustee believes that such engagement will protect and enhance the long-term value of its investments.

Description of Equity Voting Behaviour

The Scheme invests in pooled funds, which means that the responsibility for exercising the voting rights of the shares held by the Scheme sit primarily with LGIM as the Investment Manager. The Scheme's voting behaviour over the Scheme year is summarised below.

From 1 April 2022 to 31 March 2023 the pooled fund investments held by the Scheme which carried voting rights during the Scheme year were the ESG-tilted funds, i.e., the LGIM Future World Fund – GBP Currency Hedged (c. £5.6m of Scheme assets as at 31 March 2023).

LGIM manage over £1.2 trillion in assets, and use their resulting influence, focussing their votes on climate change, income equality, diversity, and ESG integration.

The table below shows LGIM's voting summary covering the Scheme's investment in the Future World Global Equity Index Fund- GBP Hedged over the year until 31 March 2023.

LGIM Future World Global Equity Index Fund – GBP Hedged	1 April 2022– 31 March 2023
Number of meetings LGIM was eligible to vote at over the year	5,067
Number of resolutions LGIM was eligible to vote on over the year	54,368
Of the eligible resolutions, percentage that LGIM voted on.	99.9%
Of the resolutions voted, percentage that LGIM voted with management.	80.4%
Of the resolutions voted, percentage that LGIM voted against management.	18.6%
Of the resolutions voted, percentage where LGIM abstained.	1.0%
Percentage of eligible meetings where LGIM voted at least once against management.	63.3%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.	10.5%

Proxy Voting

The Trustee did not employ a proxy-voting service during the Scheme year to 31 March 2023.

LGIM votes by proxy as given the scale of its holdings, the manager cannot be present at all shareholder meetings to cast votes. LGIM votes by proxy through the Institutional Shareholder Service's ('ISS') electronic voting platform. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM's own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service ('IVIS').

How Voting and Engagement Policies Have Been Followed

The Trustee intends to review a summary of the voting and engagement activity taken on its behalf on a regular basis. The information published by LGIM on its voting policies has provided the Trustee with comfort that the Scheme's voting and engagement policies have been followed during the Scheme year to 31 March 2023.

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

Details of specific voting and engagement topics are shown in the following table.

Voting and Engagement topic	Policy followed in the opinion of Trustees?	Comments
Performance of debt or equity issuer	✓	LGIM voting and engagement policies do not cover the past financial performance of investee companies. However, the voting and engagement which has been undertaken aims to improve the long-term future performance of the investee companies.
Strategy	✓	LGIM believes that board independence, diversity and remuneration can have a financially material impact on the assets it invests within, with the Board ultimately responsible for the strategy for any company that LGIM invests in or holds as a counterparty. LGIM have clear voting policies covering each of these topics and have acted on them throughout the Scheme year on behalf of the Trustees. In 2022, LGIM voted against the election of male chairmen due to a lack of gender diversity at a number of companies, including Atlas Copco AB, NVIDIA Corporation, and The Boeing Company. In 2023, LGIM further enhanced its global policy expectations that at least one-third of the directors on non-controlled company boards are women. Additionally in 2023, LGIM expanded its expectations to cover smaller companies, voting against boards where female directors do not make up at least 25% of the total.
Risks	✓	LGIM has clear voting policies on ensuring that companies manage risk effectively and have robust internal controls.

		<p>As an example of reducing risk, LGIM encourages all audit committee chairs globally to have a financial background and be entirely comprised of independent non-executive directors.</p> <p>LGIM also believes that increased transparency and disclosure can allow for financially material risks to be identified. As an example, LGIM has engaged with Moderna over increasing publicly available information on the how much government financial support it had received in developing and manufacturing Covid-19 vaccines and whether this had affected decision making on products including setting prices. Following in-depth engagement, Moderna released a press note covering this topic, which allowed LGIM to assess the viability of continued investment in the company.</p>
Social and environmental impact	✓	<p>LGIM has engaged with companies that have poor climate scores relative to their size and for those that don't meet minimum standards and if these minimum standards are not met over time, LGIM may look to divest until progress is shown.</p> <p>LGIM also introduced a policy to vote against the largest UK and US companies in 2022 where there was insufficient gender representation on the executive committee, or the board did not include at least one person from an ethnic minority background.</p> <p>In relation with this policy, LGIM engaged with Amazon five times over in 2022 to discuss the company's human rights policies. LGIM supported Amazon shareholders at the AGM asking for an audit report of civil rights, equity, diversity and inclusion within the company.</p>
Corporate governance	✓	<p>The Trustee believes that the board's duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustee also believes that the appropriate governance structures need to be in place. These include the voting stances to oppose combined chair/CEO roles and all-male boards globally.</p> <p>LGIM's policy from 2021 is to vote against all elections which combine the roles of CEO and Chair. As some examples of this in practice, LGIM has subsequently voted against electing directors of Microsoft Corporation, JPMorgan Chase & Co., and Johnson & Johnson, alongside several others, in line with this policy.</p> <p>LGIM has reinforced its position on leadership structures across their stewardship activities such as via individual corporate engagements and director conferences.</p>
Conflicts of interest	✓	<p>Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). Over the period under review, LGIM voted against incentive awards which did not have performance</p>

		<p>conditions, as these awards would not fully align remuneration with company performance.</p> <p>For example, LGIM voted against AT&T ratifying named executive officers' compensation. There were concerns around a lack of performance criteria and the magnitude of awards and payments suggested.</p>
Capital structure	✓	<p>LGIM has policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance.</p> <p>For example, LGIM has a policy that newly issued shares should not expose minority shareholders to excessive dilution.</p> <p>LGIM also has policies that protect minority shareholder rights including "one share, one vote" to avoid weakening of corporate governance as investors ability to influence and hold directors accountable would be reduced. As such LGIM decided against participating in the recent IPOs for Deliveroo and The HUT Group.</p>

Significant Votes

LGIM has provided examples of what it believes to be the most significant votes cast on the Trustee's behalf during the period.

LGIM voted against the election a director at JP Morgan Chase & Co. due to board independence concerns from the joint Chair/CEO electoral candidate. LGIM expects companies to respond to a meaningful level of shareholder support requesting the company to implement an independent Board Chair. In addition, LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, skills, experience and background, in this case primarily around remuneration concerns. As members of the Compensation Committee, the directors, up or re-election, are deemed accountable for the Company's pay practices.

In addition, in another significant vote, LGIM voted in favour of Alphabet Inc. commitment to reporting on physical risks of climate change. LGIM noted that the decision shows high quality and credible transition plans through public declarations for climate-related engagement activity. Alphabet Inc. showed to be taking sufficient action on the key issues of climate change thus, aligning with LGIM's policies and expectations of companies.

Engagement with Investee Companies (Non-Equity Investments)

Exercising equity voting rights is not the only method of influencing behaviours of investee companies and is not directly applicable for the Scheme's fixed income investments held with LGIM in Buy and Maintain Credit Funds (c. £2.4m of Scheme assets as at 31 March 2023). However, the Trustee expects LGIM to engage on its behalf to aim to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

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

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

Over the 12 months to 31 March 2023, LGIM undertook 1,088 engagements with 950 companies. Some engagements cover multiple topics and LGIM has provided the following summary:

- 571 on environmental topics;
- 327 on social topics;
- 433 on governance issues; and
- 123 on other topics including finance and strategy.

Over the year, LGIM began to release fund specific engagement statistics, with the following table summarising the engagements undertaken on a fund-by-fund basis for the entire year period. Data for all Funds is shown in relation to the year to 31 March 2023,

	Total Engagements	No. Unique Companies Engaged	Environmental Topics	Social Topics	Governance Topics	Other Topics
Future World Global Equity Index Fund – GBP Hedged	725	462	312	250	305	100
Maturing Buy and Maintain Credit Fund 2040 - 2054	125	66	61	46	55	22
Maturing Buy and Maintain Credit Fund 2030 - 2034	139	79	64	45	71	19
Maturing Buy and Maintain Credit Fund 2035 - 2039	104	50	54	39	49	19

The remainder of the Scheme's assets (c. £5.7m of assets as at 31 March 2023) are invested in leveraged nominal and index-linked government bonds with the purpose of reducing risk by hedging the exposure to interest rate and inflation inherent in the Scheme's liabilities and a cash fund for liquidity purposes, which LGIM did not provide engagement data for. LGIM has governance practices in place to capture key regulatory developments which might influence the future management and performance of these hedging assets.

LGIM LDI fund specific engagement statistics. The following table summarising the engagements undertaken on a fund-by-fund basis with data for the LDI Funds in relation to the year to 31 March 2023,

Total Engagements	No. Unique Companies Engaged	Environmental Topics	Social Topics	Governance Topics	Other Topics
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LGIM LDI Portfolio	33	14	23	1	8	1
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How Voting and Engagement Policies Have Been Followed

Having reviewed the actions taken by LGIM over the Scheme year, the Trustee believes that its policies on stewardship and engagement have been implemented appropriately over the year and in line with its views. The Trustee will continue to monitor the actions taken on its behalf each year and press for improved engagement information and ESG reporting metrics from LGIM on a fund specific level.

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

