

Galderma (UK) Limited Section of the Pensions Master Plan

Implementation Statement

For the year ended 31 March 2024

Introduction

This Implementation Statement (the "Statement") has been prepared by the Section Trustee (the "Trustee") of the Galderma (UK) Limited Section of the Pensions Master Plan (the "Section") 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 Section's SIP over the year. This Implementation Statement covers the Section year from 1 April 2023 to 31 March 2024.

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 Section.

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.

Changes to the SIP

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

Over the year to 31 March 2024, the Section entered into a buy-in policy with the Insurance Provider, Legal and General Assurance Society Limited ("LGAS"). This policy is designed to meet all members benefit payments as they fall due, with the exception of one ill-health member for whom the Section will use a small proportion of residual cash to make initial pension payments to June 2024, after which it has been agreed that the Principal Employer will be responsible for making future payments (via an additional monthly contribution to the Section equal to the monthly pension amount). The buy-in policy was agreed on 11 December 2023, with the Section's assets at the time novated to Legal and General Investment Management Ltd ("LGIM") on 14 December 2023.

Following the purchase of the buy-in policy, the Section has held any remaining surplus assets in the Trustee bank account to meet ongoing expenses.

As such, the Section's SIP was updated in November 2023 to reflect investment strategy de-risking wherein the Section realised the global equity allocation and increased allocations to buy and maintain credit and LDI assets in-line with the change in funding objective to reduce funding level volatility and reach a funding position that could facilitate a buy-in transaction.

The Section's SIP was further updated in December 2023 following the purchase of the buy-in policy with LGAS to reflect the changes to the Section's investment risks and updated objectives.

Over the year to 31 March 2024, the Section'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 Section;
- 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 Section's asset managers and insurance provider, particularly concerning financial arrangements and ESG factors; and
- A policy covering the duration of arrangements with the Section's investment manager.

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

The Trustee acknowledges the importance of ESG factors and climate change and notes that, as the majority of the assets are now invested in the buy-in policy, there is limited scope for the Trustee to incorporate ESG into the Section's Investment Strategy.

The Section was invested in pooled funds managed by Legal & General Investment Management ("LGIM") (the "Investment Manager") over the Section year under review to 14 December 2023. Thus voting and engagement data shown is up to 31 December 2023 (the closest date for which LGIM produce figures).

It was therefore LGIM that were 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 until 14 December 2023. The Trustee's policy in relation to any rights (including voting rights) attaching to its investments at the time was to exercise those rights to protect the value of the Section's interests in the investments.

The Trustee expected 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 Section'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 Section invested in pooled funds over the period to 14 December 2023, which means that the responsibility for exercising the voting rights of the shares held by the Section sat primarily with LGIM as the Investment Manager. The Section's voting behaviour over the period within the Section year where these investments were held is summarised below.

The pooled fund investments held by the Section which carried voting rights during the year were the LGIM Future World Equity Index Fund - GBP Hedged from 1 April 2023 to 8 November 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 Section's investment in the Future World Global Equity Index Fund- GBP Hedged over the year until 31 December 2023. LGIM provide annual data on a quarterly basis based on the calendar year and are unable to produce data between ad-hoc dates. As such, we have included voting information over the most relevant period to the Section's holding from 1 April 2023 to 8 November 2023.

LGIM Future World Global Equity Index Fund – GBP Hedged	1 January 2023– 31 December 2023
Number of meetings LGIM was eligible to vote at over the year	5,080
Number of resolutions LGIM was eligible to vote on over the year	52,639
Of the eligible resolutions, percentage that LGIM voted on.	99.9%
Of the resolutions voted, percentage that LGIM voted with management.	80.3%
Of the resolutions voted, percentage that LGIM voted against management.	19.3%
Of the resolutions voted, percentage where LGIM abstained.	0.4%
Percentage of eligible meetings where LGIM voted at least once against management.	63.7%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.	11.0%

Proxy Voting

The Trustee did not employ a proxy-voting service during the Section year to 31 March 2024.

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

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 provided the Trustee with comfort that the Section's voting and engagement policies have been followed during the Section year to 31 March 2024.

As previously set out in the SIP, the Trustee expected 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 Trustee?	Comments
Performance of debt or equity issuer	✓	LGIM's 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	✓	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 separation of duties between the board and the CEO, as well as policies covering independence, diversity and remuneration. LGIM have clear voting policies covering each of these topics and have acted on them throughout the Section year on behalf of the Trustee.
Risks	✓	LGIM has clear voting policies on ensuring that companies manage risk effectively and have robust internal controls. As an example of reducing risk, LGIM encourages all audit committee chairs globally to have financial expertise and be entirely comprised of independent non-executive directors. LGIM also expect companies for whom climate change is a material financial risk to reflect these risks within the estimates used to prepare their financial accounts.
Social and environmental impact	✓	<p>LGIM has acted against almost 300 companies in 2023 under their Climate Impact Pledge in order to hold directors to account for their management of climate risk. This included two companies being divested, and one company being reinstated. LGIM's Climate Impact Pledge now covers more than 5,000 companies across 20 climate-critical sectors.</p> <p>During 2023, to promote diversity at the board level, LGIM voted against the board chair of UK and US companies 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. Over 2023, in line with this policy LGIM voted against NVIDIA Corporation, Tesla Inc, Thermo Fisher Scientific Inc and others on these grounds.</p>
Corporate governance	✓	LGIM's policy is to vote against all elections which combine the roles of CEO and Chair. For example, LGIM voted against electing directors of Microsoft Corporation, Johnson & Johnson, and Pfizer Inc. alongside several others, in line with this policy.
Conflicts of interest	✓	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

		conditions or where clear guidelines were not in place, as these awards would not align remuneration with company performance. For example, LGIM voted against Banco Santander SA's remuneration policy because awards are permitted to vest for below median relative performance.
Capital structure	✓	LGIM has policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance. For example, LGIM has advocated for equal voting rights under a 'one share, one vote' standard and voted for a resolution to approve a recapitalisation plan for all Alphabet Inc. stock to have one vote per share.

Significant Votes

LGIM has provided details of its voting actions including a summary of the activity covering the reporting year up to 31 March 2024. The Trustee has adopted the manager's definition of significant votes and has not set stewardship priorities. LGIM has provided examples of what it believes to be the most significant votes cast on the Trustee's behalf during the period of investment from 1 April 2023 to 6 November 2023.

Example 1: Future World Global Equity Index Fund – GBP Hedged

Vote details	Amazon.com, Inc. – 24 May 2023. Vote on a report on median and adjusted gender/racial pay gaps.
Approximate size of fund's holding as at date of vote	1.3% of total Fund size as at 28 February 2024.
Rationale for significance	LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.
Voting decision	For (against management recommendation)
Where the Investment Manager voted against management, did the Investment Manager communicate the intent to the company ahead of the vote?	LGIM considers this vote to be significant as it pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
Rationale for the voting decision	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as we 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.
Vote outcome	Fail.

Next steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.
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Example 2: Future World Global Equity Index Fund – GBP Hedged	
Vote details	JP Morgan Chase & Co. – 16 May 2023. Vote on report regarding Climate Transition Plan, describing efforts to align financing activities with GHG targets.
Approximate size of fund's holding as at date of vote	0.8% of total Fund size as at 16 May 2023.
Rationale for significance	LGIM considers this vote to be significant as it pre-declared its intention to support. LGIM continues to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.
Voting decision	For (against management recommendation).
Where the Investment Manager voted against management, did the Investment Manager communicate the intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
Rationale for the voting decision	LGIM generally support resolutions that seek additional disclosures on how companies aim to manage their financing activities in line with their published targets. LGIM believes detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
Vote outcome	Fail.
Next steps	LGIM will continue to engage with the company and monitor progress.

Engagement with Investee Companies (Non-Equity Investments)

Exercising equity voting rights is not the only method of influencing behaviours of investee companies and was not directly applicable for the Section's fixed income investments held with LGIM in Buy and Maintain Credit Funds held until 14 December 2024. However, the Trustee expects LGIM to have engaged 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 a corporate bond mandate may 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 9 months to 31 December 2023, LGIM undertook 1,951 engagements with 1,852 companies. Some engagements cover multiple topics and LGIM has provided the following summary:

- 1,662 on environmental topics;
- 201 on social topics;
- 390 on governance issues; and
- 68 on other topics including finance and strategy.

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

The table below summarises the engagements undertaken on a fund-by-fund basis. As noted above, the Section held the LGIM Future World Equity Index Fund – GBP Hedged from 1 April 2023 to 6 November 2023 and the Maturing Buy and Maintain Credit Fund range from 1 April 2023 to 14 December 2023. LGIM are unable to provide data to ad-hoc dates so annual information to 31 December 2023 has been shown.

	Total Engagements	No. Unique Companies Engaged	Environmental Topics	Social Topics	Governance Topics	Other Topics
Future World Global Equity Index Fund – GBP Hedged	886	598	493	231	278	65
Maturing Buy and Maintain Credit Fund 2030 - 2034	122	74	50	45	64	12
Maturing Buy and Maintain Credit Fund 2035 - 2039	74	44	34	27	41	15
Maturing Buy and Maintain Credit Fund 2040 - 2054	105	59	43	40	52	18

The remainder of the Section's assets over the period to 14 December 2023 were 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 Section'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.

How Voting and Engagement Policies Have Been Followed

Having reviewed the actions taken by LGIM during the Section 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 where possible.

If any future investment manager of the Section's assets deviates substantially from the Trustee's stated policies, the Trustee will initially engage and discuss this with Investment Manager, and if the Trustee still believes the difference between its policies and the Investment Manager's actions are material, the Trustee will consider terminating and replacing the mandate if necessary.

October 2024

