

# Implementation Statement

## University of Reading Pension Scheme

### Purpose of this statement

This implementation statement has been produced by the Trustees of the University of Reading Pension Scheme ("the Scheme") to set out the following information over the year to 31 July 2025:

- how the Trustees' 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 Trustees over the year, including information regarding the most significant votes; and
- A summary of any changes to the Statement of Investment Principles (SIP) over the period.
- A description of how the Trustees' policies, included in their SIP, have been followed over the year.

The voting/engagement behaviour is not given over the Scheme year end to 31 July 2025 because the investment managers only report on this data quarterly, we have therefore given the information over the year to 30 June 2025.

### Stewardship policy

The Trustee's Statement of Investment Principles (SIP) in force at 31 July 2025 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last updated in July 2025 and has been made available online here: <https://vfm.aviva.co.uk/university-of-reading/>

The Trustees' stewardship policy is set out in the Scheme's policies on voting and engagement/Responsible Investment which forms part of the Statement of Investment Principles. To enable the Trustees to make high quality decisions, the fact-finding and analysis is delegated to the Trustees' independent investment advisor and the Investment Sub-Committee. The Trustees have established ownership/voting principles that are consistent with their main investment manager, Aviva, which will be kept under review. These principles include researching companies, identifying any issues and then engaging with them as necessary. Voting and engagement focuses on a range of themes including:

- Tackling the cost of living crisis;
- Transitioning to a low-carbon economy;
- Reversing nature loss

### How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that its policies on voting and engagement have been met in the following ways:

- 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 Trustees implemented a revised default investment strategy with Aviva in December 2023. As part of the selection process, the Trustees reviewed the stewardship and engagement activities of Aviva and were satisfied that their policies were sufficient to the point that Aviva could be selected as the default investment strategy manager.
- The Trustees have previously obtained training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments.
- Annually the Trustees receive and review voting information and engagement policies from both the asset managers directly and via the platform provider, Aviva, which the Trustees review to ensure alignment with their own policies. This exercise was most recently completed at **the 11 February 2025 Trustees' Meeting** and will take place again at **the February 2026 Trustees' Meeting**.

Having reviewed the above in accordance with their policies, the Trustees are comfortable that 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 Statement of Investment Principles has been followed over the year in the following ways:

- *Set the overall investment objectives and then monitor the performance of their investment managers against those objectives.*

The Trustees monitor the performance of each manager's funds quarterly to ensure that the funds are meeting their stated objectives. Their Investment Consultants and managers provide quarterly reports for review and should an urgent issue develop, would make immediate contact with the Trustees. The reports are then discussed at Trustee meetings. The Trustees also consider the performance of each manager's funds in context of their investment strategy and should their investment consultant identify any concerns, a review of that area of investment strategy would be initiated.
- *Offer a default investment arrangement suitable for the Scheme's membership profile plus a core range of investment strategies and funds into which members can choose to invest their contributions and those contributions made by the employer.*

The Scheme offers a suitable default strategy for members over this period. The default strategy underwent significant changes during 2025 with members now remaining invested in a higher proportion of growth assets for a longer period prior to retirement. The Scheme also offers a range of self-select fund options which give members a reasonable choice from which to select their own strategy. The Trustees undertook a review of these self-select options in the previous period, and agreed some changes which were implemented during the period. Three self-select fund options were discontinued restricting access for new members and moving existing members into the default strategy. One new self-select fund option was made available to members over the period.
- *Consider the main investment risks affecting members.*

The Trustees take into account inflation, conversion, retirement income, investment manager performance, concentration/market, currency and loss of investment risks as part of their strategy review.

- *To consider the merits of both active and passive management for the various elements of the Scheme's portfolio.*

The Trustees considers the merits of passive and active management as part of the regular investment strategy monitoring, and this was also a large consideration of the self-select fund review that took place over the previous period.

- *If the investment objective for a particular manager's fund changes, the Trustees will review the appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.*

The benchmark index for the HSBC Islamic Global Equity Index Fund will be changing in December 2025 following the period end. This will be reviewed to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

- *The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.*

This was carried out as part of the default investment strategy review and selection exercise. During the period the annual management charge for the HSBC Islamic Global Equity Index Fund was reduced and will be reduced again further following the period end. The annual management charges for the Aviva My Future Focus Funds were also reduced during the period.

- *When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these.*

ESG and climate risk was considered as part of the default investment strategy review and selection exercise.

**Prepared by the Trustees of the University of Reading Pension Scheme**

**December 2025**

## Voting Data

This section provides a summary of the voting activity undertaken by the investment managers on behalf of the Trustees over the year to 31 July 2025. Over the period, the Scheme's default arrangement with Aviva underwent significant changes. The new default arrangement consists of the Aviva My Future Focus Long Term Growth, Aviva My Future Focus Growth and Aviva My Future Focus Consolidation Funds. The voting data shown for these funds covers the 12 months to 30 June 2025. The Trustees have also considered voting activity for equity and diversified growth funds within the self-select fund range. The L&G (PMC) Pre-Retirement Fund, BlackRock Institutional Sterling Liquidity Fund and BlackRock Over 5 Year Index-Linked Gilt Index Tracker have no voting rights and limited ability to engage with key stakeholders given the nature of the mandate.

Manager	Aviva		
<b>Fund name</b>	Aviva My Future Focus Long Term Growth Fund	Aviva My Future Focus Growth Fund	Aviva My Future Focus Consolidation Fund
<b>Structure</b>	Pooled	Pooled	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.
<b>Number of company meetings the manager was eligible to vote at over the year</b>	3,833	3,836	3,836
<b>Number of resolutions the manager was eligible to vote on over the year</b>	39,175	39,233	39,257
<b>Percentage of resolutions the manager voted on</b>	98.8%	98.7%	98.6%
<b>Percentage of resolutions the manager abstained from</b>	1.9%	1.9%	1.9%
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	77.2%	77.2%	77.2%
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b>	20.9%	20.9%	20.9%
<b>Percentage of resolutions voted contrary to the recommendation of the proxy advisor</b>	15.4%	15.0%	15.4%

Manager	BlackRock	L&G	HSBC
<b>Fund name</b>	BlackRock Aquila Life (30:70) GBP Hedged Global Equity Index	L&G Diversified Fund	Islamic Global Equity Index
<b>Structure</b>	Pooled	Pooled	Pooled

Manager	BlackRock	L&G	HSBC
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.
<b>Number of company meetings the manager was eligible to vote at over the year</b>	4,927	10,460	103
<b>Number of resolutions the manager was eligible to vote on over the year</b>	53,743	104,120	1,610
<b>Percentage of resolutions the manager voted on</b>	96.3%	99.9%	97.3%
<b>Percentage of resolutions the manager abstained from</b>	1.8%	1.3%	0.1%
<b>Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on</b>	93.2%	76.5%	83.3%
<b>Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on</b>	6.8%	22.1%	16.7%
<b>Percentage of resolutions voted contrary to the recommendation of the proxy advisor</b>	0.4%	14.4%	1.5%

The proportion of resolutions that were voted on and abstained from may not sum to 100%. This can be due to how the investment manager or local jurisdictions define abstentions or classify a formal vote or abstention as opposed to not returning a voting form or choosing to nominate a proxy.

## Proxy voting

### Aviva

Aviva subscribe to Glass Lewis research and receive both their benchmark reports (which Aviva use for data analysis only and do not automatically follow their voting recommendations) and custom research based on Aviva's own policy, which Aviva can override in consideration of other factors, including internal views, additional context provided in external research, and company explanations. Aviva feel this is the most efficient approach to voting in thousands of meetings a year.

### BlackRock

Proxy research firms provide research and recommendations on proxy votes as well as voting infrastructure. BlackRock Investment Stewardship leverages Institutional Shareholder Services (ISS) as an external proxy services vendor. ISS' electronic voting platform allows BlackRock Investment Stewardship to monitor voting activity, execute proxy vote instructions, record keep, and generate client and regulatory voting reports. BlackRock Investment Stewardship also uses Glass Lewis' services to support research and analysis. In addition to the global

research provided by Institutional Shareholder Services (ISS) and Glass Lewis, BlackRock Investment Stewardship subscribes to market-specific research providers including the Institutional Voting Information Service in the UK, Ownership Matters in Australia, Stakeholder Empowerment Services in India, and ZD Proxy in China. Although proxy research firms provide important data and analysis, BlackRock Investment Stewardship does not follow any proxy research firm's voting recommendations.

## L&G

L&G's Investment Stewardship team uses ISS's electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G, and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with L&G's position on ESG, L&G have put in place a custom voting policy with specific voting instructions. L&G review their custom voting policy with ISS annually and take into account feedback from their investors.

## HSBC

HSBC use the voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of their own bespoke voting guidelines. HSBC review voting policy recommendations according to the scale of their overall holdings. The bulk of holdings are voted in line with ISS's recommendation based on HSBC's guidelines.

## 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 / themes. The managers have provided a selection of votes which they believe to be significant, of which, the Trustees have chosen to report on the two votes which relate most closely to their stewardship priorities.

A summary of the data and narratives that they have provided is set out below.

### **Aviva My Future Focus Long Term Growth Fund, Aviva My Future Focus Growth Fund & Aviva My Future Focus Consolidation Fund**

Aviva provided details of ten significant votes across their default funds, two of which have been selected and are set out below. Details of other votes can be requested from Aviva.

	Vote 1	Vote 2
<b>Company name</b>	BHP Group Ltd	Apple Inc
<b>Date of vote</b>	30/10/2024	25/02/2025
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.32% Long Term Growth 0.17% Growth 0.13% Consolidation	3.74% Long Term Growth 1.92% Growth 1.52% Consolidation
<b>Summary of the resolution</b>	Approve 2024 Climate Transition Action Plan (CTAP)	Shareholder proposal regarding report on risks of AI data sourcing
<b>How the manager voted</b>	Voted in favour (exceptional basis)	Voted in favour

	Vote 1	Vote 2
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Yes	Yes
<b>Rationale for the voting decision</b>	<p>Although Aviva retain some concerns about aspects of BHP's energy transition strategy, Aviva believe an exceptional vote for the resolution is warranted on this occasion. Aviva have engaged in numerous constructive discussions with BHP and appreciate its responsiveness to shareholders evidenced in the additional level of detail provided in the 2024 CTAP.</p>	<p>This proposal requests that Apple Inc prepare a report assessing the risks associated with the unethical or improper usage of external data in AI training. Given the Company's recent involvement in the Siri eavesdropping lawsuit and its partnership with OpenAI, which faces several copyright infringement cases, Aviva believe that additional disclosure would help shareholders better understand how the Company is mitigating risks related to data sourcing.</p>
<b>Outcome of the vote</b>	The resolution passed (92.2% supported)	The resolution was not passed (11.4% supported)
<b>Implications of the outcome</b>	<p>Aviva's continued support will be contingent on BHP providing more robust evidence of its decarbonization strategy, including its investments and capital expenditure plans and its alignment with a credible 1.5°C pathway, particularly regarding its metallurgical coal projects, alongside greater insight into how it is managing long-term climate risks while seizing opportunities within steel decarbonization. Aviva also encourage BHP to enhance its capital allocation strategy to align with the significant challenge posed by emissions from steelmaking, which constitutes the majority of its total emissions. Thirdly, Aviva seek a clearer articulation of BHP's just transition strategy, specifically how projects are assessed against this framework and the impact on key stakeholders.</p> <p>Lastly, Aviva seek greater visibility into the outcomes of BHP's assessments on physical climate-related risks, methane measurement and reporting and approach to climate-related lobbying and advocacy, particularly in outlining key interdependencies between net-zero targets and the wider policy environment.</p>	<p>The risks of AI data sourcing are significant for Apple Inc due to potential privacy breaches, reputational damage, and legal challenges. This concern aligns with the broader trend of increasing scrutiny on AI use by companies, driven by heightened public awareness and regulatory focus on data privacy and ethical practices. While the company provides meaningful disclosure on this topic, Aviva have communicated via email that additional transparency would help Aviva understand how Apple Inc is mitigating these risks. With 11.4% shareholder support for a proposal addressing these concerns at the 2025 AGM, it's clear that a notable minority of investors are pushing for stricter data governance and ethical standards.</p>
<b>Criteria on which the vote is considered "significant"</b>	This vote was selected as the financial and climate outcomes are potentially material to the investment case.	This vote was selected as the financial outcomes are potentially material to the investment case.

### **BlackRock Aquila Life (30:70) GBP Hedged Global Equity Index**

BlackRock provided limited details of 51 significant votes, two of which have been randomly selected and are set out below. Details of other votes can be requested from BlackRock.

	Vote 1	Vote 2
<b>Company name</b>	Constellation Brands Inc	Voestalpine AG
<b>Date of vote</b>	17/07/2024	03/07/2024
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Data not provided	Data not provided
<b>Summary of the resolution</b>	Report on Support for a Circular Economy for Packaging	Elect Elisabeth Stadler as Supervisory Board Member
<b>How the manager voted</b>	Voted against the resolution	Voted against the resolution
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Data not provided	Data not provided
<b>Rationale for the voting decision</b>	BlackRock believe Constellation Brands already provide sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.	BlackRock believe the length of proposed tenure exceeds typical market standards without rationale provided by company. The nominee serves on an excessive number of public company boards, which BlackRock believe raises substantial concerns about the director's ability to exercise sufficient oversight on this board.
<b>Outcome of the vote</b>	The resolution did not pass	The resolution passed
<b>Implications of the outcome</b>	In some cases, companies may request an engagement after a shareholder meeting to provide additional clarity. BlackRock value the opportunity to listen to company leadership, which enhances BlackRock's understanding of their business models, ensuring that BlackRock's proxy voting decisions are based on a comprehensive view on company practices and priorities. In these conversations, BlackRock do not direct companies on how they should manage their business. BlackRock believe that responsibility lies with management, with input from the board.	
<b>Criteria on which the vote is considered "significant"</b>	This vote was selected as the financial outcomes are potentially material to the investment case.	This vote was selected as the financial outcomes are potentially material to the investment case.

## L&G Diversified Fund

L&G provided details of 2,208 significant votes, two of which have been randomly selected and are set out below. Details of other votes can be requested from L&G.

	Vote 1	Vote 2
<b>Company name</b>	Shell Plc	National Grid Plc
<b>Date of vote</b>	20/05/2025	10/07/2024
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.26%	0.23%

	Vote 1	Vote 2
<b>Summary of the resolution</b>	Request company disclose whether and how it forecasts demand for LNG; LNG production and sales targets; and new capital expenditure in natural gas assets; are consistent with climate commitments, including target to reach net zero emissions by 2025	Approve Climate Transition Plan
<b>How the manager voted</b>	Voted against the resolution	Voted in favour
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	
<b>Rationale for the voting decision</b>	While L&G recognise the intent behind the resolution, L&G have decided to vote against it following careful consideration. This decision follows a series of constructive engagements with Shell's leadership, during which the company committed to improving disclosures on stranded asset risks and financial resilience related to its LNG operations. L&G acknowledge meaningful progress in Shell's reporting, which now provides a clearer basis for assessing climate-related risks. In light of these developments, L&G believe the resolution's key objectives are being addressed through ongoing company actions.	L&G voted in favour of the National Grid Climate Transition Plan. L&G commend the company's efforts in committing to net-zero emissions across all scopes by 2050 and setting 1.5C-aligned near term science-based targets. L&G also appreciate the clarity provided in the 'Delivering for 2035 report' and look forward to seeing the results of National Grid's engagement with SBTi regarding the decarbonisation of heating.
<b>Outcome of the vote</b>	The resolution was not passed (20.6% supported)	The resolution passed
<b>Implications of the outcome</b>	L&G will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	
<b>Criteria on which the vote is considered "significant"</b>	L&G consider this shareholder resolution significant. L&G recognise the underlying merit of this resolution, after careful consideration, L&G have made the decision to vote against.	L&G is publicly supportive of so called "Say on Climate" votes. L&G expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, L&G deem such votes to be significant, particularly when L&G votes against the transition plan.

## HSBC Global Asset Management, Islamic Global Equity Index

HSBC provided details of ten significant votes, two of which we have randomly selected and are given below. Details of other votes can be requested from HSBC Global Asset Management.

	Vote 1	Vote 2
<b>Company name</b>	NVIDIA Corporation	Microsoft Corporation
<b>Date of vote</b>	25/06/2025	10/12/2024

	Vote 1	Vote 2
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	8.73%	8.30%
<b>Summary of the resolution</b>	Enhance workforce data reporting	Report on risks of using artificial intelligence and machine learning tools for oil and gas development and production
<b>How the manager voted</b>	Voted in favour	Voted in favour
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	No	No
<b>Rationale for the voting decision</b>	HSBC believe that the proposal would enhance accountability to shareholders.	HSBC believe that the proposal would contribute to the better management of relevant issues.
<b>Outcome of the vote</b>	The resolution was not passed	The resolution was not passed
<b>Implications of the outcome</b>	HSBC will continue to engage on the issue along with other issues of concern and will likely vote for a similar proposal should they believe it will enhance accountability.	HSBC will continue to engage on the issue along with other issues of concern and will likely vote for a similar proposal should they believe it will contribute to the better management of relevant issues.
<b>Criteria on which the vote is considered "significant"</b>	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.

## 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.

Manager	Aviva	BlackRock	L&G	HSBC
<b>Fund name</b>	Aviva My Future Focus Fund Range	BlackRock Aquila Life (30:70) GBP Hedged Global Equity Index	L&G Diversified Fund	HSBC Islamic Global Equity Index
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes	Yes	Yes	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes	Yes	Yes	Yes
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	Not provided	1,557	2,753	70
<b>Number of engagements undertaken at a firm level in the year</b>	2,370*	2,584	3,643	1,650

\*Engagement data for Aviva funds is shown as at 31 December 2024 as Aviva only provide engagement data at year end.

## Examples of engagements undertaken with holdings in the fund or by the firm as a whole

### Aviva

Aviva provided details of three examples of firm level engagement, two of which have been randomly selected and are set out below. Details of other engagements can be requested from Aviva.

#### Climate Change – Total Energies

TotalEnergies is a global integrated energy company. The company has hydrocarbon exploration and production assets in 50 countries and is one of the largest producers globally. The company has begun transitioning to more sustainable activities, including biofuels, renewable generation, and electrical distribution. TotalEnergies' size, presence and ambition is important to encourage transition throughout the energy sector.

Aviva has engaged substantively and constructively with TotalEnergies for several years. This year Aviva's ESG, Equity and Credit Teams have conducted joint engagement, meeting with Executive Management and Sustainability Teams. Aviva also met with the company ahead of its AGM to discuss its say on climate proposal. These engagements have focused on supporting the company's efforts to enhance its climate strategy, ensuring alignment with investor expectations and global net-zero goals.

TotalEnergies has demonstrated notable progress in refining its energy transition strategy, focusing on areas where it continues to find value. As part of this evolution, the company has enhanced its transparency on low-carbon projects, and more importantly, providing evidence of profitability. This progress coupled with strong investor dialogue and consistent messaging around strategic priorities has strengthened Aviva's view of the company's transition strategy.

This contributed to Aviva's decision to exceptionally support TotalEnergies' Advisory Vote on Sustainability & Climate – Progress Report 2023 at its May 2024 AGM. This was supported by 80% of investors. It has also led to a positive investment recommendation for Aviva's funds. Aviva will continue to engage and support TotalEnergies in balancing the demands of energy security, sustainability, and a just transition. Aviva's focus will include areas such as providing enhanced Scope 3 emissions disclosures, more frequent and detailed disclosures on low-carbon investments, and developing its just transition strategy.

### **Natural resource use/impact – Cranswick**

Cranswick is one of the UK's largest producers of pork & poultry. Recent research has found it to be the second largest agribusiness producer of animal excreta in the UK. In the UK, currently only 16% of our rivers meet 'good ecological status', and agriculture (meat production in particular) is a key driver of river pollution and its impacts on biodiversity, via the release of animal waste to the environment.

In addition to a site visit to Cranswick's pig abattoir in Hull, Aviva engaged with the company both unilaterally and as part of an investor group coordinated by FAIRR. Aviva discussed nature-related risk assessment and management processes, and the company's current waste management strategy. The company does not source its pigs or poultry from the Wye/Severn catchments where agricultural pollution is currently the focus of media controversy. The company welcomed the suggestion to disclose volumes of animal waste generated and by end destination.

Aviva were pleased that the company has now stated that it will begin the TNFD process and hopes to disclose the initial results in 2025. It is exploring building a biogas plant, as well as purchasing animal feed from farms using regenerative practices. Aviva are also encouraged that the company continued to score well on its antibiotics use in the recent Business Benchmark on Farm Animal Welfare.

### **BlackRock**

BlackRock have engaged with a range of companies on issues including: Board Composition and Effectiveness, Business Oversight and Risk/Executive Management, Corporate Strategy, Governance Structure, Remuneration, Climate Risk and Environmental Impact Management, Operational Sustainability, Biodiversity, Human Capital Management, Diversity and Inclusion, and Social Risks and Opportunities.

### **L&G**

L&G have many examples of engagement that they can provide, with lots of information provided at <https://www.lgim.com/uk/en/responsible-investing/>.

### **Climate: Encouraging setting of climate targets – Petroleos Mexicanos (Pemex)**

As one of the largest oil and gas companies by refining capacity, with significant production of crude oil and natural gas, Pemex is a company L&G believe is critical in Mexico's energy security and has significant influence

particularly in South America over the decarbonisation of the oil and gas industry and the realisation of financial opportunities from the energy transition.

L&G believe Pemex's management of methane emissions across their supply chain is a cause for concern and that reducing methane emissions can be a powerful and cost-effective way for oil and gas companies to make progress towards climate goals, as well as manage regulatory and reputational scrutiny.

L&G have been a contributing investor to the CA100+ engagements with Pemex since 2023. L&G have encouraged the company to take steps towards clear disclosures, oversight of climate risk at board level, and the setting of ambitious but achievable climate targets.

Following successive engagements in what L&G view as a significant step, Pemex published its first sustainability plan, setting out clear targets for emissions reduction, enhanced disclosure (aligned with TCFD and ISSB recommendations), allocation of capital towards achieving climate goals and addressing methane emissions with their operations. L&G have strengthened their expectations for oil and gas companies regarding methane emissions disclosure, and this will continue to be an area of focus for L&G across the sector more broadly

## **HSBC**

HSBC provided details of four examples of engagement, one of which has been randomly selected and is set out below. Further examples can be found at <https://www.assetmanagement.hsbc.com/about-us/responsible-investing/stewardship>.

### **Trusted technology, human rights**

HSBC has engaged with a leading software company regarding a recent shareholder proposal requesting a report on the risks of operating in countries with significant human rights concerns.

Although the company has worked with government defence departments for many years, technology companies are playing a major role in how warfare evolves. Cybersecurity, electronic warfare, and virtual reality (VR) and platform solutions are a few of the innovative developments now being extensively utilised by traditional defence manufacturers.

HSBC have been engaging with the company for several years on various sustainability topics. In 2025, HSBC met with a senior Environmental, Social, and Governance (ESG) specialist at the company to discuss its involvement in defence. This discussion covered a recent shareholder proposal at the company's annual general meeting, which HSBC supported. This proposal requested a report on the risks of operating in countries with significant human rights concerns. The proposal received considerable support. The company acknowledged the proposal but did not commit to any revisions. Instead, it emphasised its existing human rights commitments, due diligence processes, and ongoing human rights reporting. To demonstrate its proactive approach, it highlighted its pledge to the Trusted Cloud Principles and a recent publication addressing the operation of data centres in countries or regions with human rights challenges. Its due diligence is conducted in accordance with the United Nations (UN) Guiding Principles on Business and Human Rights. This includes responsible market entry assessments carried out in collaboration with independent third-party resources and expert counsel. The company also reiterated the board's assertion that in certain geographies, it conducts heightened due diligence through human rights impact assessments. This approach includes excluding specific types of services, such as those that collect personal data from consumers, technologies like facial recognition, and certain types of customers, such as law enforcement agencies. Furthermore, the company mandates that all uses of its online services must adhere to the Agreement Code of Conduct.

Through HSBC's engagement, HSBC gained valuable insights into the company's role in the defence sector, which will enhance HSBC's investment research, analysis, and monitoring efforts. The company emphasised its commitment to being a platform leader for businesses, rather than a defence contractor, as demonstrated by its decision to sell its military headset unit business. However, the company is now offering its artificial intelligence capabilities to various governments, supporting the integration of advanced technologies in defence operations. This development highlights the growing role of the private sector in high-tech warfare and the increasingly blurred lines between civilian and military digital infrastructure. As a next step, the company remains on HSBC's priority list. HSBC will continue to closely monitor how its products and services are being utilised by the defence industry to inform their analysis and decision-making processes.