

# Baxter Healthcare Pension Plan

## Engagement policy implementation statement for the year ended 5 April 2022

During the year ended 5 April 2022, the Plan's investment policies were implemented in line with the principles set out in the Plan's Statement of Investment Principles (SIP).

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment manager, Legal and General Investment Management (LGIM), and to encourage the manager to exercise those rights in accordance with the SIP. The Plan invests through pooled fund arrangements and so acknowledges that LGIM exercises those rights in accordance with its own corporate governance policies on behalf of all investors in its funds. In doing so, LGIM takes account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustee considers the fees agreed with LGIM incentivise LGIM to provide a high-quality service that meets the objectives of the Plan. The Trustee monitors LGIM and would consider terminating any investment manager appointment if that investment manager appeared to be acting contrary to the Plan's SIP.

The Trustee has considered LGIM's stewardship activities in relation to the specific funds the Plan holds having received specific training from LGIM on the topic. The Trustee reviews LGIM's approach to stewardship on an on-going basis.

The Trustee concludes that, based on these considerations, LGIM has followed the requirements of the SIP.

### Voting behaviour

LGIM's voting decisions are made internally within LGIM's Corporate Governance team, and independently from the investment teams. They are primarily based on LGIM's global corporate governance and responsible investment principles, which set out their global approach to key governance issues. LGIM has supplementary regional policies which set out its approach to more specific regional or country issues taking into account specific market regulation or best practice. LGIM discloses monthly voting records on its website. The reports are published at the end of each month. Additionally, for votes that have received significant press attention, LGIM produces summaries of the firm's positions. The full voting record can be found on LGIM's website linked here: <https://vds.issgovernance.com/vds/#/MjU2NQ==/>

LGIM does not outsource any part of its strategic voting decisions; however ISS (Institutional Shareholder Services) is used for the customisation of LGIM's voting policy, the execution and processing of the voting instruction. LGIM aims to minimise abstentions. Since 2011, it has not abstained in the UK. In other markets, LGIM seeks to minimise abstentions unless it is technically impossible to vote. LGIM regularly engages with the proxy execution agent ISS via direct meetings and through our participation in consultations on regional voting policies.

LGIM summarises its voting record across all markets each quarter. This information is available on request.

### Examples of LGIM's engagement activities during the year ended 31 March 2022:

Active ownership, which is a broader topic than voting in isolation, forms a key part of how LGIM conducts responsible investing. This is reflected in the following activities that are conducted on behalf of the Scheme

- Company engagement
- Using voting rights globally, with one voice across all active and index funds
- Addressing systemic risks and opportunities
- Seeking to influence regulators and policymakers

- Collaborating with other investors and stakeholders.

The examples below demonstrate some of the specific initiatives undertaken by LGIM in this regard during the year.

### **Future World Protection list letters**

LGIM has long prioritised company engagement over exclusion. However, when combined with engagement and voting, targeted exclusions can also be a very powerful tool. Through LGIM's Future World Protection List (FWPL), LGIM excludes from its Future World fund range and select funds – including the L&G ETF core equity range – perennial violators of UN Global Compact Principles. Through engagement with UN Global Compact violators, LGIM aims to improve standards and supports them to make the changes required to come off the list. Over the past two years, LGIM has seen nine companies reinstated into funds after having made necessary improvements to become 'UNGC compliant'. They include Mitsubishi Motors Corporation, Volkswagen AG and Severstal PAO. Following the publication of the updated FWPL earlier this year and ahead of the forthcoming half-yearly update, LGIM has written to the chairs of 11 companies at risk of non-compliance, or already non-compliant, to communicate its expectations and request further dialogue.

### **Public policy update**

LGIM has engaged with the UK government on some key ESG issues. For example, LGIM contributed to the Department for Business, Energy & Industrial Strategy's (BEIS) long-awaited consultation on 'Restoring trust in audit and corporate governance'. Overall, LGIM is supportive of the intentions of the government's consultation and shares its desire to make the UK an attractive market for shareholders, investors and broader stakeholders through high quality and transparent audit and corporate governance activities. LGIM's view is that the approach and timelines that are adopted for their implementation are critical to success, and that the early establishment and empowerment of the Audit, Reporting and Governance Authority (ARGA) is crucial to ensure the reforms and the associated standards are suitably embedded in the relevant professional and corporate bodies. LGIM has been engaging with the various ESG-related workstreams and consultations that the FCA have launched. For example, LGIM recently inputted into two consultations relating to the expansion of reporting in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Overall, LGIM welcomes these proposals and the direction of travel the FCA is taking, although LGIM has highlighted some areas of concern. One particular area of concern is the availability of reliable, consistent and comparable ESG data from corporates across both public and private markets. LGIM, both independently and in collaboration with partners, is also engaging on other ESG topics in the UK, including but not limited to: next steps in the Lord Hill review e.g. the FCA's CP21/21: Primary Markets Effectiveness Review (that is looking at limited dual class share structures and free float requirements); the UK Taxonomy; say on climate; sustainability labelling; green and sustainable bond standards; ESG data providers; and broader sustainability disclosure requirements.

### **Climate Impact Pledge – launch of the fifth engagement cycle**

In October 2021, LGIM launched its fifth engagement cycle of the Climate Impact Pledge, its flagship climate engagement programme. From apparel and airlines to technology companies and utilities, LGIM analyses and directly engages with around 60 companies in 15 climate-critical sectors on their strategic approach to climate change, and to what extent they are aligning their businesses with the constraints and opportunities of a net zero transition.

### **COP26 Event**

International leadership and collaboration are key to delivering a decarbonised future. In November 2021, Glasgow played host to world leaders, heads of state, industry chiefs and civil society organisations at the UN global climate summit, COP26. LGIM's engagement at COP26 was a natural extension of the work it already does to influence change in its industry and across global markets, and it has been part of a number of initiatives and commitments, adding its voice to others in the industry that are calling for change. Among these was its signing of the Get Nature Positive campaign,

in recognition of the role that protecting and restoring biodiversity will play in creating a more sustainable future. LGIM's CEO, Michelle Scrimgeour, is the co-chair of the UK government's COP26 Business Leaders Group, an important forum focused on creating business and sector breakthroughs in how we deliver net zero.

### **Ethnicity campaign**

In September 2020, LGIM launched its ethnicity engagement campaign and voting strategy. LGIM wrote to 79 companies across the S&P500 and FTSE100 indices to alert them to its expectations regarding ethnicity on boards, and to the potential voting action it would take. In October 2021, LGIM re-visited the ethnicity representation of the companies in these indices, with the intention of writing to those who were still in breach of its expectations of one person of ethnicity on the board. This review resulted in LGIM writing to 37 companies in total; with the target list having almost halved compared to the previous year, already demonstrating progress. Of the original 79 companies identified, we will be voting against only seven.

### **Policy dialogue**

#### **UK highlights: net zero transition**

LGIM continues to engage with stakeholders and the UK Government on the development of Sustainable Finance regulation, specifically: the development of the Sustainable Disclosure Requirements regime (announced by the Chancellor of the Exchequer last year), the UK Green Taxonomy, and the next steps for Green Finance Strategy. LGIM has also engaged with: i) the government on strengthening support for energy efficiency measures in homes; ii) the Department for Environment, Food, & Rural Affairs (DEFRA) consultation on implementation of due diligence provisions in the Environment Act to help tackle illegal deforestation in UK supply chains; and iii) stakeholders on strengthening policy on 'social' issues.

#### **International highlights: UN Treaty on Plastic Pollution**

At an international level, LGIM has supported the Business Call and Business Statement that advocated for Member States to establish a legally binding United Nations (UN) Treaty on Plastic Pollution at the UN Environment Assembly in late February. LGIM is pleased to see Member States support for the resolution that would create a robust Treaty covering the 'full lifecycle' of plastic production, from production to disposal. LGIM will continue to engage with negotiations over the coming months.

### **Significant votes for the Plan during the year**

In determining significant votes, LGIM takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA). This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/or public scrutiny
- Significant client interest for a vote
- Sanction vote as a result of a direct or collaborative engagement
- Vote linked to an LGIM engagement campaign.

The most significant votes for the Plan during the year have been summarised in the table below:

<b>Company Name</b>	<b>Details of Vote</b>
<b>NextEra Energy, Inc.</b>	<p><b>Summary of the resolution:</b> To elect Director James L. Robo</p> <p><b>How LGIM voted:</b> Against</p> <p><b>Rationale for voting decision:</b> LGIM has a longstanding policy advocating for the separation of the roles of</p>

	<p>CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015, LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it is voting against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and it has reinforced its position on leadership structures across its stewardship activities – e.g. via individual corporate engagements and director conferences.</p> <p><b>Why was the vote significant?</b>  LGIM considers this vote to be significant as it is an application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</p> <p><b>Outcome of the vote:</b>  88.1% of shareholders supported the resolution.</p>
<p><b>Union Pacific Corporation</b></p>	<p><b>Summary of the resolution:</b>  To elect Director Lance M. Fritz</p> <p><b>How LGIM voted:</b>  Against</p> <p><b>Rationale for voting decision:</b>  LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015, LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it is voting against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and it has reinforced its position on leadership structures across its stewardship activities – e.g. via individual corporate engagements and director conferences.</p> <p><b>Why was the vote significant?</b>  LGIM considers this vote to be significant as it is an application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</p> <p><b>Outcome of the vote:</b>  90.5% of shareholders supported the resolution.</p>
<p><b>Apple Inc.</b></p>	<p><b>Summary of the resolution:</b>  Report on Civil Rights Audit</p> <p><b>How LGIM voted:</b>  For</p> <p><b>Rationale for voting decision:</b>  A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.</p> <p><b>Why was the vote significant?</b>  LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.</p> <p><b>Outcome of the vote:</b>  53.6% of shareholders supported the resolution.</p>

<p><b>Microsoft Corporation</b></p>	<p><b>Summary of the resolution:</b> To re-elect CEO Satya Nadella, and John Thompson (Nomination Committee Chair and Lead Independent Director).</p> <p><b>How LGIM voted:</b> Against both resolutions</p> <p><b>Rationale for voting decision:</b> The company recently re-combined the chair and CEO roles, after having these separate for a number of years. LGIM has set out expectations for all companies to have a separate chair and CEO. This recombination of the roles during 2021 at Microsoft was particularly disappointing as it has had a separation of the roles for many years. Given the company did not seek prior shareholder approval for the re-combination of roles, we also voted against the board Nomination Committee Chair / Lead Independent Director.</p> <p><b>Why was the vote significant?</b> This vote was significant because it related to one of LGIM's engagement themes: Board effectiveness.</p> <p><b>Outcome of the vote:</b> While engagement with the company has been fruitful over the years, we conveyed our disappointment at this governance change. Both directors were re-elected with over 90% support from shareholders.</p>
<p><b>American Tower Corporation</b></p>	<p><b>Summary of the resolution:</b> Elect Director Pamela D.A. Reeve</p> <p><b>How LGIM voted:</b> Against</p> <p><b>Rationale for voting decision:</b> The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.</p> <p><b>Why was the vote significant?</b> LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, LGIM's flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.</p> <p><b>Outcome of the vote:</b> 94.7% of shareholder supported the resolution.</p>
<p><b>Prologis, Inc.</b></p>	<p><b>Summary of the resolution:</b> To elect Director Hamid R. Moghadam</p> <p><b>How LGIM voted:</b> Against</p> <p><b>Rationale for voting decision:</b> LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015, LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it is voting against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and it has reinforced its position on leadership structures across its stewardship activities – e.g. via individual corporate engagements and director conferences.</p> <p><b>Why was the vote significant?</b> LGIM considers this vote to be significant as it is an application of an escalation</p>

	<p>of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</p> <p><b>Outcome of the vote:</b> 93.5% of shareholders supported the resolution.</p>
<b>Alibaba Group Holding Limited</b>	<p><b>Summary of the resolution:</b> To elect Director Joseph C. Tsai</p> <p><b>How LGIM voted:</b> Against</p> <p><b>Rationale for voting decision:</b> LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015, LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it is voting against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and it has reinforced its position on leadership structures across its stewardship activities – e.g. via individual corporate engagements and director conferences.</p> <p><b>Why was the vote significant?</b> LGIM considers this vote to be significant as it is an application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</p> <p><b>Outcome of the vote:</b> 73.6% of shareholders supported the resolution</p>
<b>Crown Castle International Corp.</b>	<p><b>Summary of the resolution:</b> To elect Director J. Landis Martin</p> <p><b>How LGIM voted:</b> Against</p> <p><b>Rationale for voting decision:</b> The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.</p> <p><b>Why was the vote significant?</b> LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, LGIM's flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.</p> <p><b>Outcome of the vote:</b> 93.8% of shareholder supported the resolution.</p>
<b>Amazon.com, Inc.</b>	<p><b>Summary of the resolution:</b> Elect Director Jeffrey P. Bezos</p> <p><b>How LGIM voted:</b> Against</p> <p><b>Rationale for voting decision:</b> LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015, LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it is voting against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and it has reinforced its position on leadership</p>

	<p>structures across its stewardship activities – e.g. via individual corporate engagements and director conferences.</p> <p><b>Why was the vote significant?</b>  LGIM considers this vote to be significant as it is an application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</p> <p><b>Outcome of the vote:</b>  95.1% of shareholders supported the resolution.</p>
<p><b>Duke Energy Corporation</b></p>	<p><b>Summary of the resolution:</b>  Elect Director Michael G. Browning</p> <p><b>How LGIM voted:</b>  Withhold</p> <p><b>Rationale for voting decision:</b>  LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015, LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it is voting against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and it has reinforced its position on leadership structures across its stewardship activities – e.g. via individual corporate engagements and director conferences.</p> <p><b>Why was the vote significant?</b>  LGIM considers this vote to be significant as it is an application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</p> <p><b>Outcome of the vote:</b>  88.1% of shareholders supported the resolution.</p>

How many meetings were you eligible to vote at over the year	9,010
How many resolutions were you eligible to vote on over the year	90,252
What % of resolutions LGIM voted on where eligible	98.76%
Of the resolutions on which LGIM voted, the % voted with management was	78.74%
Of the resolutions on which LGIM voted, the % voted against management was	20.47%
Of the resolutions on which LGIM voted, the % abstained was	0.79%