

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 30 SEPTEMBER 2023

Introduction

The Trustee of the Carl Zeiss Limited Pension & Assurance Scheme (the 'Scheme') has a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

This statement sets out how, and the extent to which, in the opinion of the Trustee, the policies (set out in the Statement of Investment Principles) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ending 30 September 2023. This statement also describes the voting behaviour by, or on behalf of, the Trustee including the most significant votes cast during the year, and whether a proxy voter has been used.

The Trustee, in conjunction with the investment consultant, appoints the investment managers and chooses the specific pooled funds to use in order to meet specific Scheme policies. The Trustee expects that the investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments including environmental, social and governance (ESG) factors, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustee also expects its investment managers to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

Stewardship - monitoring and engagement

The Trustee recognises that investment managers' ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustee acknowledges that the concept of stewardship may be less applicable to some of its assets, particularly for short-term money market instruments and liability-driven investments. As such the Scheme's investments in these asset classes are not covered by this engagement policy implementation statement. The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustee detailing their voting activity.

The Trustee also delegates responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 30 SEPTEMBER 2023 (continued)

The Trustee seeks to appoint managers that have strong stewardship policies and processes and are supportive of its investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020. Details of the signatory status of each investment manager is shown below:

Investment manager	UN PRI Signatory	UK Stewardship Code Signatory
LGIM	Yes	Yes
Partners Group	Yes	No

The Trustee reviews each investment manager prior to appointment and monitors them on an ongoing basis through the regular review of the manager's voting and engagement policies, its investment consultant's ESG rating, and a review of each manager's voting and engagement behaviour.

The Trustee has not set out its own stewardship priorities but follows those of the investment managers.

The Trustee will engage with a manager should they consider that manager's voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the manager's own policies, or if the manager's policies diverge significantly from any stewardship policies identified by the Trustee from time to time.

If the Trustee finds any manager's policies or behaviour unacceptable, it may agree an alternative mandate with the manager or decide to review or replace the manager. As all of the investments are held in pooled vehicles, the Trustee does not envisage being directly involved with peer-to-peer engagement in investee companies.

Investment manager engagement policies

The Scheme's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustee with information on how the investment managers engage in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

Links to each investment manager's engagement policy or suitable alternative is provided in the Appendix.

These policies are publicly available on each investment manager's website.

The latest available information provided by the investment managers (for mandates that contain public equities or bonds) is as follows:

**ENGAGEMENT POLICY IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 30
SEPTEMBER 2023 (continued)**

Engagement	LGIM Investment Grade Corporate Bond Over 15 Years Index	LGIM Future World Fund	LGIM Future World Fund – GBP Hedged	Partners Group Partners Fund
Period	01/10/2022 – 30/09/2023			01/07/2022 – 30/06/2023
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.			
Number of companies engaged with over the year	38	335	335	N/A*
Number of engagements over the year	80	555	555	N/A*

*Partners (who mainly invest in private markets) were unable to provide engagement data comparable to other investment managers investing in public markets. Partners do not track all individual engagements. However, they have said they engage with all of their direct investments at least once a year. Direct investments constitute greater than two-thirds of the total number of businesses within the Partners Fund.

Exercising rights and responsibilities

The Trustee recognises that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment managers are expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisors.

The investment managers publish online the overall voting records of the firm on a regular basis.

All investment managers use proxy advisors for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustee does not carry out a detailed review of the votes cast by or on behalf of its investment managers but relies on the requirement for their investment managers to provide a high-level analysis of their voting behaviour.

The Trustee considers the proportion of votes cast, and the proportion of votes against management to be an important (but not the only) consideration of investor behaviour.

The latest available information provided by the investment managers (for mandates that contain public equities) is as follows:

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 30 SEPTEMBER 2023 (continued)

Voting behaviour			
	LGIM Future World Fund	LGIM Future World – GBP Hedged Fund	Partners Group Partners Fund
Period	01/10/2022-30/09/2023		01/07/2022-30/06/2023
Number of meetings eligible to vote at	1,704	1,704	58
Number of resolutions eligible to vote on	22,402	22,402	845
Proportion of votes cast	99.9%	99.9%	100.0%
Proportion of votes for management	79.9%	79.9%	92.0%
Proportion of votes against management	19.9%	19.9%	5.0%
Proportion of resolutions abstained from voting on	0.2%	0.2%	3.0%

Figures may not sum exactly due to rounding.

Trustee’s assessment

The Trustee has undertaken a review of each manager’s environmental, social and governance policies and their voting and engagement activities based on information provided by the investment consultant. The Trustee accepts that the way in which investment managers exercise their rights and engagement activities may differ from the Trustee’s policies as set out in the Statement of Investment Principles.

The Trustee recognises that engagement and voting policies, practices and reporting, will continue to evolve over time and intend to review the way in which they monitor and engage with their investment managers over the next year.

The Trustee is supportive of the investment managers being signatories to the United Nations’ Principles for Responsible Investment and the Financial Reporting Council’s UK Stewardship Code 2020.

Appendix

Links to the engagement policies for each of the investment managers can be found here:

Investment manager	Engagement policy	Annual disclosure statement
Legal & General Investment Management	https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-engagement-policy.pdf	https://www.lgim.com/uk/en/responsible-investing/investment-stewardship/ https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf
Partners Group	https://www.partnersgroup.com/en/sustainability/responsible-investment/	https://www.partnersgroup.com/~/_media/Files/P/Partnersgroup/Universal/about-us/our-impact/responsible-investment/20230425-pg-corporate-sustainability-report-2022.pdf

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Information on the most significant votes for each of the funds containing public equities is shown below.

LGIM Future World Fund / LGIM Future World Fund - GBP Hedged	Vote 1	Vote 2	Vote 3
Company name	Alphabet Inc.	Johnson & Johnson	Cummins Inc.
Date of Vote	02/06/2023	27/04/2023	09/05/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.9%	1.3%	0.7%
Summary of the resolution	Approve Recapitalization Plan for all Stock to Have One-vote per Share	Elect Director Anne M. Mulcahy	Elect Director Thomas J. Lynch
How the fund manager voted	For (against management recommendation)	Against (against management recommendation)	Against (against management recommendation)
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	Shareholder Resolution - Shareholder rights: A vote in favour is applied as LGIM expects companies to apply a one-share-one-vote standard.	Joint Chair/CEO: A vote against is applied as LGIM expects companies not to recombine the roles of Board Chair and CEO without prior shareholder approval.	Joint Chair/CEO: A vote against is applied as LGIM expects companies to respond to a meaningful level of shareholder support requesting the company to implement an independent Board Chair.
Outcome of the vote	30.7% (Fail)	92.0% (Pass)	96.6% (Pass)
Implications of the outcome	LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
Criteria on which the vote is assessed to be "most significant"	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.	Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

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SEPTEMBER 2023 (continued)**

Partners Group Partners Fund	Vote 1	Vote 2	Vote 3
Company name	EyeCare Partners	Pharmathen	PremiStar
Date of Vote	N/A	N/A	N/A
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.1	0.6	0.3
Summary of the resolution	As we control the Board, please see below the ESG efforts of the portfolio company.		
Rationale for the voting decision	In 2022, the number of patients served by EyeCare Partners (ECP) rose to 3 million, with the company exceeding its targets for average net promoter score (NPS) for its ECP clinics and Medicare/Medicaid patients served. In 2021, ECP clinics had an NPS score of 89 compared to the target score of 87, and had served 37% of Medicare/Medicaid patients.	In May 2022, Pharmathen launched a sustainability assessment with EcoVadis. The results will be incorporated into Pharmathen's ESG Strategy.	Due to the early stage of the investment, ESG initiatives are yet to be introduced. ESG initiatives are expected to be set forth in the second quarter of 2023 after its first ESG key performance indicator survey.
Implications of the outcome	Meanwhile, several initiatives were implemented to improve stakeholder benefits. For instance, significant investment in benefits were made in 2021 and 2022. In addition, the company increased communication around its ECP Cares Foundation, a non-profit organization dedicated to giving back to ECP team members in need. Meanwhile, Incident Frequency Rate (IFR) measures were established and are being captured to drive root-cause analysis and drive prevention strategies. This has engaged employees and helped to increase employee retention to 31% (exceeding the target of 27%). Lastly, baselines and specific initiatives were established based on the doctor and employee engagement surveys conducted during the first half of 2022.	The company has a strong ESG culture as reflected in its core mission of making a positive impact on the lives of people by ensuring that they enjoy better health.	In the meantime, Premistar has engaged a third party ESG consultant to identify material sustainability topics and craft a longer term ESG journey and strategy. Premistar is looking to hire an ESG manager and sales strategy employee, as the company aims to launch an energy efficiency sales strategy with customers.
Criteria on which the vote is assessed to be "most significant"	Size of holding in fund	Size of holding in fund	Size of holding in fund

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Information on the most significant engagement case studies for LGIM as a company for the funds containing public equities or bonds as at 31 December 2022 (latest available) is shown below:

LGIM - Firm-level	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	ExxonMobil	BP Plc	J Sainsbury Plc
Topic	Environment: Climate change (Climate Impact Pledge)	Environment: Climate change (Climate Impact Pledge)	Social: Income inequality - living wage (diversity, equity and inclusion)
Rationale	<p>As one of the world's largest public oil and gas companies in the world, LGIM believe that Exxon Mobil's climate policies, actions, disclosures and net zero transition plans have the potential for significant influence across the industry as a whole, and particularly in the US. LGIM believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under its Climate Impact Pledge, LGIM publish minimum expectations for companies in 20 climate-critical sectors. LGIM selects roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in LGIM's view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. LGIM's in-depth engagement is focused on helping companies meet these minimum expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag LGIM's minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions).</p>	<p>As one of the largest integrated oil and gas producers in the world, BP has a significant role to play in the global transition to net zero, hence LGIM's focus on this company for in-depth engagements. As members of the CA100+ LGIM commit to engaging with a certain number of companies on their focus list and on account of a strong relationship with BP, wLGIM lead the CA100+ engagements with them. LGIM believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under its Climate Impact Pledge, LGIM publish our minimum expectations for companies in 20 climate-critical sectors. LGIM selects roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in LGIM's view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. LGIM's in-depth engagement is focused on helping companies meet these minimum expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag LGIM's minimum expectations may be subject to voting</p>	<p>Ensuring companies take account of the 'employee voice' and that they are treating employees fairly in terms of pay and diversity and inclusion is an important aspect of LGIM's stewardship activities. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, LGIM's work on income inequality and its expectations of companies regarding the living wage have acquired a new level of urgency. LGIM's expectations of companies:</p> <ul style="list-style-type: none"> i) As a responsible investor, LGIM advocates that all companies should ensure that they are paying their employees a living wage and that this requirement should also be extended to all firms with whom they do business across their supply chains. ii) LGIM expect the company board to challenge decisions to pay employees less than the living wage. iii) LGIM ask the remuneration committee, when considering remuneration for executive directors, to consider the remuneration policy adopted for all employees. iv) In the midst of the pandemic, LGIM went a step further by tightening its criteria of bonus payments to executives at companies where COVID-19 had resulted in mass employee lay-offs and the company had claimed financial assistance (such as participating in government-supported furlough schemes)

		sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions).	in order to remain a going concern. With over 600 supermarkets, more than 800 convenience stores, and nearly 190,000 employees, Sainsbury's is one of the largest supermarkets in the UK. Although Sainsbury's is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living-wage accredited.
What the investment manager has done	<p>LGIM has been engaging with Exxon Mobil since 2016 and they have participated willingly in discussions and meetings. Under its Climate Impact Pledge, LGIM identified a number of initial areas for concerns, namely: lack of Scope 3 emissions disclosures (embedded in sold products); lack of integration or a comprehensive net zero commitment; lack of ambition in operational reductions targets and; lack of disclosure of climate lobbying activities. Regular engagements with Exxon Mobil have focused on LGIM's minimum expectations under the Climate Impact Pledge. The improvements made have not so far been sufficient in LGIM's opinion, which has resulted in escalations. The first escalation was to vote against the re-election of the Chair, from 2019, in line with the Climate Impact Pledge sanctions. Subsequently, in the absence of further improvements, LGIM placed Exxon Mobil on its Climate Impact Pledge divestment list (for applicable LGIM funds) in 2021, as LGIM considered the steps taken by the company so far to be insufficient for a firm of its scale and stature. Nevertheless, engagement with the company</p>	<p>LGIM has been engaging with BP on climate change or a number of years, during the course of which many actions have been taken regarding climate change mitigation. BP has made a series of announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US. LGIM's recommendation for the oil and gas industry is to primarily focus on reducing its own emissions (and production) in line with global climate targets before considering any potential diversification into clean energy. BP has also announced that it would be reducing its oil and gas output by 40% over the next decade, with a view to reaching net-zero emissions by 2050. LGIM met with BP several times during 2022. In BP's 2022 AGM, LGIM were pleased to be able to support management's 'Net Zero – from ambition to action' report (Resolution 3). Having strengthened its ambition to achieve net-zero emissions by 2050 and to</p>	<p>Sainsbury's has recently come under scrutiny for not paying a real living wage. LGIM engaged initially with the company's [then] CEO in 2016 about this issue and by 2021, Sainsbury's was paying a real living wage to all employees, except those in outer London. LGIM joined forces with ShareAction to try to encourage the company to change its policy for outer London workers. As these engagements failed to deliver change, LGIM then joined ShareAction in filing a shareholder resolution in Q1 2022, asking the company to become a living wage accredited employer. This escalation succeeded insofar as, in April 2022, Sainsbury's moved all its London-based employees (inner and outer) to the real living wage. LGIM welcomed this development as it demonstrates Sainsbury's values as a responsible employer. However, the shareholder resolution was not withdrawn and remained on the 2022 AGM agenda because, despite this expansion of the real living wage to more employees, there are still some who are excluded. This group comprises contracted cleaners and security guards, who fulfil essential functions in helping the business to operate safely. Levels of individual typically engaged with include the Chair, the CEO, and head of investor relations.</p>

	<p>continues. In terms of further voting activity, in 2022 LGIM supported two climate-related shareholder resolutions (i.e. voted against management recommendation) at Exxon's AGM, reflecting LGIM's continued wish for the company to take sufficient action on climate change in line with minimum expectations. Levels of individual typically engaged with include lead independent director, investor relations, director and CFO.</p>	<p>halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments. Levels of director typically engaged with include the chair, the CEO, head of sustainability, and investor relations.</p>	
<p>Outcomes and next steps</p>	<p>Since 2021, LGIM has seen notable improvements from Exxon Mobil regarding key engagement requests, including disclosure of Scope 3 emissions, a 'net zero by 2050' commitment (for Scopes 1 and 2 emissions), the setting of interim operational emissions reduction targets, and improved disclosure of lobbying activities. However, there are still key areas where LGIM require further improvements, including inclusion of Scope 3 emissions in their targets, and improving the level of ambition regarding interim targets. LGIM are also seeking further transparency on their lobbying activities. The company remains on LGIM's divestment list (for relevant funds), but engagement with them continues.</p>	<p>LGIM will continue engaging with BP on climate change, strategy and related governance topics. Following the company's decision to revise their oil production targets, LGIM met with the company several times in early 2023 to discuss concerns.</p>	<p>Since filing the shareholder resolution, Sainsbury's has made three further pay increases to its directly employed workers, harmonising inner and outer London pay and is now paying the real living wage to its employees, as well as extending free food to workers well into 2023. LGIM welcome these actions which demonstrate the value the board places on its workforce. LGIM has asked the board to collaborate with other key industry stakeholders to bring about a living wage for contracted staff.</p>