

Annual Implementation Statement

Defined Benefit (“DB”) Section

1 April 2023 to 31 March 2024 (the “Plan Year”)

1. Introduction

Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Trustees are required to produce an annual Engagement Policy Implementation Statement (“EPIS”). This statement outlines how, and the extent to which, the policies relating to stewardship, voting and engagement as outlined in the Statement of Investment Principles (“SIP”) have been followed.

This statement covers the Plan’s accounting year to 31 March 2024. It is intended to meet the updated regulations and will be included in the Plan’s Report & Accounts. In preparing this statement, the Trustees have taken advice from their professional advisers.

The Plan’s appointed investment adviser was Mercer until February 2024 when the Trustees appointed BlackRock as the Plan’s new investment adviser. BlackRock was subsequently appointed as the Fiduciary Manager (“the Manager”) for the Plan in May 2024. The assets will be transitioned to the BlackRock fiduciary mandate in July 2024. This statement includes voting and engagement details relevant to the Plan’s assets held during the accounting year, prior to the transition to the BlackRock mandate.

In particular, this statement details some of the activities taken by the Trustees, the advisers and the investment managers during the period, including voting statistics, and provides the Trustees’ opinion on the stewardship activities over the period.

2. Policies

The Trustee’s relevant policies regarding stewardship, voting and engagement are outlined in the SIP. The most recent version of the SIP is publicly available being online and will be updated from time-to-time.

During the year to 31 March 2024 the Trustees had not updated the SIP, as such the policies contained in the March 2022 SIP are those which are relevant to this Statement, which can be accessed online at: [Statement of Investment Principles - March 2022 \(toyota.co.uk\)](https://toyota.co.uk) online. The SIP will be updated to reflect the new fiduciary management arrangement with BlackRock after the transition of the Plan’s assets.

The Trustee notes the “Guidance issued by the DWP relating to Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement” in July 2022. Going forwards, the Trustee plans to develop its policies and build more elements of this guidance into future iterations of this statement

3. Scope of this statement

The Trustees acknowledge that the extent to which the policies in relation to stewardship, voting and engagement can be applied varies across the portfolio. For example, in general, voting rights are not attached to fixed income securities, while the applicability to the LDI (liability-driven investment) portfolio is limited. Nonetheless, the Trustees expects all investment managers to take an active role in the stewardship of investments where relevant.

4. Plan activity

In February 2024, the Trustees appointed BlackRock as the Plan’s investment advisor and in May 2024, the Trustees appointed BlackRock as the Plan’s fiduciary manager. The assets will be transitioned to the BlackRock fiduciary mandate in July 2024.

The March 2022 SIP includes the Trustees’ policies on Environmental, Social and Governance (“ESG”) and stewardship factors relevant during the accounting year to 31 March 2024. These policies set out the Trustees’ beliefs on ESG and the processes followed by the Trustees in relation to voting rights and stewardship. The SIP will be updated to reflect the new fiduciary management arrangement with BlackRock after the transition of the Plan’s assets.

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5. Voting and Engagement

Until BlackRock was appointed as the Plan's adviser, the Trustees delegated the responsibility of collecting the stewardship and engagement reports of the underlying managers and assessing the suitability to Mercer. The SIP states "The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.". The Trustees expected Mercer to monitor the underlying manager's activity to ensure compliance and confirm that it remains a suitable investment for the Plan. The Trustees were comfortable that under the governance structure with Mercer, the responsibility sat with the Mercer to communicate with the underlying managers and on a regular basis collect information as required. Following the transition to the new BlackRock fiduciary mandate, the Trustees expect BlackRock to take on this responsibility.

There is variability between managers in the extent of their engagement and voting policies, with equity managers generally having made more progress than fixed income. This Implementation Statement focuses on the Plan's equities managers and diversified growth fund manager. It is intended that in future years there will be greater focus on other asset classes, in particular the fixed income managers.

The section below details the investment managers' approach to voting and engagement as well as some examples of significant engagements these managers have made over the 12 months in respect to the funds in which the Plan is invested.

Summary voting statistics in respect of the Plan's equities funds and diversified growth fund over the year to 31 March 2024 have been included.

LGIM:

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 all LGIM's clients.

Approach to voting

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures LGIM's stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM, and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

Mitsubishi UFJ Financial Group, Inc. is a Japanese bank holding and financial services company headquartered in Tokyo, Japan.

Mitsubishi UFJ Financial Group, Inc. (Japanese Bank)

In June 2023, there was a shareholder proposal vote to publish a transition plan to align lending and investment portfolios with the Paris Agreement by amending the articles of incorporation. LGIM supported this proposal, which was against management recommendation.

LGIM continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met. A group of climate-focused NGOs has been active in this area in the Asian market for a number of years, resulting in the first climate-related proposal of its type at Mizuho ahead of its 2020 AGM. LGIM since has supported previous resolutions at each of these Japanese banks at their AGMs since 2020, and LGIM have found that these proposals and the ensuing shareholder dialogue has helped drive improved disclosures and tighter policies at the companies. Therefore, LGIM supports this proposal to invigorate and encourage further strengthening of policies in line with science-based temperature-aligned pathways towards a net-zero-by-2050 world.

LGIM will continue to engage with the company and monitor progress.

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TotalEnergies SE is a French multinational integrated energy and petroleum company.

There was a vote in May 2023 where the proposal was to approve the Company's Sustainable Development and Energy Transition Plan. LGIM voted against the proposal, which was against management recommendation.

Total Energies SE

(French energy & petroleum company)

LGIM recognise the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, they remain concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory, thus LGIM voted against the proposal.

LGIM will continue to engage with the company, publicly advocate their position on this issue and monitor company and market-level progress.

Westpac Banking Corporation (Westpac) is an Australian multinational banking and financial services company headquartered in Sydney.

In December 2023 there was a proposal to approve Westpac's Climate Change Position Statement and Action Plan. LGIM voted against the resolution.

Westpac Banking Corp.

(Australian banking & financial service company)

LGIM voted against this proposal as they expected companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5C. While LGIM positively noted the company's net-zero commitments and welcome the opportunity to voice their opinion on the bank's climate transition plan, LGIM highlighted some concerns with the scope of targets and disclosures. In particular, the bank has not committed to establish science-based targets; and the sector policies notably on certain fossil fuels (such as unconventional oil and gas) and existing business relationships remains limited in scope. More specifically, the company's position on power generation is quite high level and particularly narrow in scope.

The vote was passed. However, LGIM will continue to engage with the company, publicly advocate their position on this issue and monitor company and market-level progress.

The UNITE Group provides purpose-built student accommodation across the UK.

In May 2023, there was a shareholder proposal to elect Richard Huntingford as director. LGIM voted against this resolution, which was against management recommendation.

The UNITE Group Plc

(British property development company)

Following a two-year engagement campaign, a vote against this proposal was applied because of a lack of progress on ethnic diversity on the board. LGIM expects the boards of the largest UK companies to include a minimum of one ethnically diverse director. Board diversity is an engagement and voting issue, and LGIM believe in cognitive diversity within a business. LGIM believe that 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 economy and society thus they voted against the proposal. The vote was passed. However, LGIM will continue to engage with the company and monitor progress.

Year to 31 March 2024

Asia Pacific (ex Japan) Developed Equity Index Fund	Votable proposals	3,279
	% of resolutions voted	100.0%
	% of resolutions voted against management	25.1%
	% of resolutions abstained	0.0%

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		Year to 31 March 2024
Japan Equity Index Fund	Votable proposals	6,103
	% of resolutions voted	100.0%
	% of resolutions voted against management	12.0%
	% of resolutions abstained	0.0%
Europe (ex UK) Equity Index Fund	Votable proposals	9,556
	% of resolutions voted	99.7%
	% of resolutions voted against management	19.0%
	% of resolutions abstained	0.4%
North America Equity Index Fund	Votable proposals	8,731
	% of resolutions voted	99.8%
	% of resolutions voted against management	34.6%
	% of resolutions abstained	0%
World Emerging Markets Equity Index Fund	Votable proposals	33,716
	% of resolutions voted	99.9%
	% of resolutions voted against management	19.0%
	% of resolutions abstained	0.9%
UK Equity Index Fund	Votable proposals	10,462
	% of resolutions voted	99.8%
	% of resolutions voted against management	5.6%
	% of resolutions abstained	0.0%

Nordea:

Nordea's active ownership efforts begin with voting on their holdings, attending Annual General Meetings (AGMs) and representation on nomination committees. Voting is an effective tool to influence companies in the right direction. Sound corporate governance contributes to shareholder value. Nordea regularly engages with companies to explain their voting rationale, and they try to be as proactive as possible to get companies, if possible, to alter their proposals in line with Nordea's principles.

Nordea take a global, aggregated voting approach. In addition to actively engaging with companies by voting at AGMs, they participate in nomination committees and maintain a regular dialogue with the companies in question. Their Corporate Governance Principles, reviewed on a yearly basis by Nordea Funds and NIFSA board, define how they act in corporate governance-related matters and set the rules for which strategies apply and how the voting of the shares owned by the funds shall take place. A Corporate Governance Committee has been set up in order to ensure appropriate handling of the corporate-governance matters, and the operational responsibility rests with the Corporate Governance Function (outside the Responsible Investment organization). The Corporate Governance team works closely together with the Responsible Investing (RI) team and the Portfolio Managers to align the stewardship work on various ESG aspects. The RI team gives input on all proposals related to environmental and social issues and provides an overview of industry-related issues affecting multiple companies.

Nordea strive to vote for all funds, including both internally and externally managed funds. Generally, Nordea focus their stewardship efforts on companies on which they can have a significant impact, such as firms in which they have a substantial ownership share or if they have a large, aggregated position.

Approach to Voting

Proxy voting is supported by one external vendor to facilitate the voting and provide analytic input. Nordea use ISS for proxy voting, execution as well as research.

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During 2023, Nordea voted at about 3,700 General Meetings on thousands of proposals, including ESG issues such as climate, data privacy, diversity, as well as remuneration programs and capital structure all across the world. The outcome in 2023 is well above their target of 90% of possible voting.

Nordea publish publicly available information on their Voting Portal. This provides detailed information about how Nordea have voted in AGMs for stocks held across their funds. Access to the Voting Portal can be found [here](#).

Comcast Corporation is an American multinational telecommunications and media conglomerate.

Comcast Corporation
(American Telecoms & Media company)

At the June 2023 AGM, one of the shareholder proposals addressed the company's plans to report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal. Nordea voted for this proposal as they believe that additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change-related risks. The outcome of the vote was against, however Nordea continue to support this shareholder proposal and look to engage with the company on this matter where possible.

Meta platforms (Meta) is an American multinational technology conglomerate headquartered in California.

Meta platforms
(American multinational technology company)

At the May 2023 AGM, Nordea voted against the proposal (against management recommendation) to elect Mark Zuckerberg as Director. Nordea voted against the election of Mark Zuckerberg since significant risks to shareholders stemming from severe ESG controversies have been identified at the company, which reflects a failure by the board to proficiently guard against and manage material environmental, social and governance risks. Nordea also believe that roles of CEO and Chair should be separated. Nordea will continue to vote against combined CEO/Chair and especially in cases like this where severe problems are identified.

		Year to 31 March 2024
Nordea	Votable proposals	2,069
Diversified	% of resolutions voted	99.9%
Return Fund	% of resolutions voted against management	12.4%
	% of resolutions abstained	2.5%

6. Concluding remarks

The Trustees are comfortable that the policies in the SIP have been followed over the year to 31 March 2024. The Trustees expect that the format and content of this statement will continue to evolve over time, following the transition of the Plan's assets to the new BlackRock fiduciary mandate and in line with guidance and to reflect any future changes in the SIP.

The Trustees recognise the responsibility that institutional investors have to promote high standards of investment stewardship and will continue to use the influence associated with the Plan's assets in order to positively influence the Plan's investment managers.