Engagement Policy Implementation Statement

GE Capital Pension Scheme (the “Scheme”)

The Engagement Policy Implementation Statement (“EPIS”) has been prepared by the Trustee and covers the Scheme year 1 April 2021 to 31 March 2022.

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual statement which outlines the following:

- Explain how and the extent to which the Trustee has followed its engagement policy which is set out in the Statement of Investment Principles (“SIP”).

- Describe the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Scheme year and state any use of third-party provider of proxy voting services.

Executive summary

Based on the activity over the year by the Trustee and its service provider, the Trustee believes that the stewardship policy has been implemented effectively. The Trustee notes that its fiduciary manager and most of its investment managers were able to disclose adequate evidence of voting and engagement activity.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement. In particular, the Trustee expects improvements from their service provider reaching out to managers to encourage the managers on their reporting of fund level engagement.
The identities of the Plan’s investment managers have been anonymised.

Scheme stewardship policy

The below bullet points summarise the Scheme’s stewardship policy in force over the Scheme year to 31 March 2022.

The full SIP can be found here: Statement of Investment Principles - My GE Pension

- The Common Investment Fund and Service Provider 1 are responsible for the fiduciary management of the Scheme’s assets. As part of their delegated responsibilities the Trustee expects the Common Investment Fund, Service Provider 1, and the underlying fund managers to:
  - Ensure that (where appropriate) underlying asset managers exercise the trustees' voting rights in relation to the Scheme's assets;
  - Take into account social, environmental and corporate governance considerations in the selection, retention and realisation of investments; and
  - Report to the Trustee on stewardship activities undertaken by underlying asset managers as required.
- The Trustee receives annual reports on stewardship activity carried out by their fiduciary manager via the Trustees of the Common Investment Fund. These reports include voting and engagement information. Where possible, the transparency provided relating to the exercise of voting rights should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant; or where votes were abstained.

- The Trustees of the Common Investment Fund are responsible for reviewing whether the managers are meeting the Trustee's expectations and providing an annual update to the Trustee for all delegated responsibilities in this regard.

Scheme stewardship activity over the year

Training

Over the year, the Trustee had responsible investment training sessions with their advisors, which provided the Trustee with updates on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making. During the Scheme year the Trustee also revised their Responsible Investment policy.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a monitoring report being provided to the Trustee by their fiduciary manager: Service Provider 1. The reports include ESG ratings and highlight any areas of concern, or where action is required.

Voting and Engagement Activity – Global and Emerging Market Equity

Over the year, the material global & emerging market equity investments held by the Scheme via the Common Investment Fund were:

Manager 1	Global Equity
Manager 2	Global Equity
Manager 3	Global Equity
Manager 4	Global Equity

In this section there is a summary of voting information and examples of significant voting activity for each of the Scheme's relevant managers. The investment managers provided examples of 'significant' votes they participated in over the period. Each manager has its own criteria for determining whether a vote is significant. Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g. more than 15%) went against the management's proposal
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting
- a vote that is connected to wider engagement with the company involved
- a vote that demonstrates clear and considered rationale
- a vote that the Trustee considers inappropriate or based on inappropriate rationale
- a vote that has significant relevance to members of the Scheme

The Trustee considers a significant vote as one which the voting manager deems to be significant.

Voting statistics can be found in the Appendix.

Manager 1

<u>Voting</u>

Manager 1's voting decisions are undertaken by its investment team. Clients invested via segregated accounts may elect to carry out their own voting, however, the GE UK Common Investment Fund ("CIF") has given Manager 1 authority to vote on its behalf.

Manager 1 considers voting to be one of its key responsibilities as long-term shareholders and an important means of holding management of investee companies accountable. Manager 1 votes at all company meetings. The investment team is responsible for voting decisions. In practice, this means that the lead investor for each stock decides how Manager 1 votes for each company, with input from its ESG analyst and other members of team. This structure means that Manager 1 evaluates each resolution in the broader context of the company's challenges and opportunities, resulting in more informed voting decisions.

Manager 1 receives voting research and recommendations from Institutional Shareholder Services ("ISS"). The ISS voting platform is used to execute votes and record the rationales for Manager 1's decisions.

Voting example

In June 2021, Manager 1 voted against management to support two climate-related resolution at Booking Holdings ("Booking"), an American travel technology company. The resolutions asked the company to provide a report on its climate transition strategy and to allow shareholders the ability to vote on this strategy annually.

Manager 1's research and engagement work found that Booking's ambitions in this area lack urgency, so voted in support of both resolutions. The outcome of one of the votes was successful – a proposal requesting the company issue a climate transition report. However, the second proposal – for the company to hold an annual advisory stockholder vote on its climate policies and strategies – was unsuccessful.

Manager 1 has continued to engage with Booking's management on the topic of climate. Following the Annual Group Meeting ("AGM"), Manager 1 sent the chair a letter encouraging the company to strengthen its emissions reduction targets and incorporate climate risks and opportunities into its strategy, governance and oversight. Manager 1 was also advised that Booking will provide a climate transition report in 2022 which will contain absolute emission reduction targets. Manager 1 recommended the targets be time-bound and aligned with limiting global warming to 1.5 degrees. Manager 1 considers these votes to be significant as they were votes against management.

Engagement

Manager 1 believes engagement to be an important tool that helps positively influence portfolio companies, protecting and creating value for clients over the long-term. The majority of engagement work is directly with companies within Manager 1's portfolios. Manager 1 engages with companies in the portfolio for a variety of reasons. These include, for example, to gain further insights to inform investment decision-making and to push for change where Manager 1 has specific concerns.

The primary method of engagement is via one-to-one meetings with senior executives and with divisional or regional management. Manager 1 also meets with non-executive directors, such as the chair or senior independent director. Manager 1 engages with companies by writing formally to their management and Boards. Engagements are split into two categories: the first is engagement for information, which supports Manager 1's investment decision-making; the second is engagement for change, where Manager 1 has specific concerns that they would like a company to address.

Engagement example

During 2021, Manager 1 engaged with British American Tobacco Plc ("BAT") regarding its capital allocation, with a view to focus on governance and lead to change in one of its portfolio companies. Capital allocation is one of Manager 1's 13 ESG considerations that it believes are most likely to impact the performance of the companies.

Manager 1 wrote to the chair of BAT in June 2021 to encourage the company to evolve its capital allocation strategy, explaining that the undervaluation of BAT's shares presented an opportunity for shareholder value creation through a dividend reduction and increase in share buybacks. Manager 1 had separate meetings with the chair and management team following this letter for further discussions. As an outcome of this engagement, BAT confirmed a £2bn buyback programme in February 2022. This was not as large as Manager 1 recommended, but Manager 1 expects this to increase over time. The progression of the buyback scheme will be a focus in Manager 1’s future meetings with management as this engagement continues.

Manager 2

Voting

Manager 2 appointed Glass Lewis during Q1 2020 to support with proxy voting; however, Manager 2’s portfolio managers maintain final decision-making responsibility, which is based on its detailed knowledge of the companies in which Manager 2 invests. Manager 2 does not default to Glass Lewis’ recommendations, but votes in line with its own proxy voting policy and may consider Glass Lewis’ research to improve its overall decision making.

Manager 2’s long-term approach generally leads it to be supportive of company management and for routine matters it typically votes in line with management’s recommendations. The primary objective of Manager 2’s voting policy is to protect or enhance the economic value of the investments it makes on behalf of clients. Manager 2 will therefore abstain or vote against any agenda item that threatens this position and where dialogue has not been effective.

Voting example

In May 2021, Manager 2 abstained from voting on a resolution regarding Mondalez’s Executive compensation. Manager 2 does not believe that Mondalez’s compensation policy is aligned with the long-term best interests of shareholders and has been engaging with the company on this matter over several years.

Manager 2 pays careful consideration to compensation policies of the companies in which it invests. In assessing compensation policies, Manager 2 focuses more on how incentives are structured rather than the actual compensation figure. Prior to 2020 Manager 2 had voted against Mondelez’s compensation resolutions. However, since 2020 Mondelez’s management team has made significant efforts to explain the rationale for its policies during the various engagements. The vote passed with 98% support. Manager 2 engaged with Mondelez's compensation committee before the vote to signal its intention to abstain.

Engagement

Manager 2 believes that ESG matters affect a company’s ability to deliver long term value to shareholders. Thus, to that end, its initial analysis and ongoing company engagement strategy seeks to incorporate sustainability factors.

Manager 2 believes that engaging with and monitoring of investee companies is an essential element of its investment strategy. The team’s ongoing monitoring includes reviewing investee company annual reports and accounts, together with other publicly available information; all members of the Investment Team are involved in this process. When the Team meets with company management, it engages with them on issues that Manager 2 believes will affect the company’s ability to deliver long term sustainable value to shareholders.

Engagement example

Over 2021, Manager 2 held numerous climate change related discussions with companies, focusing on its environmental policies and strategy. For example, it engaged with Diageo on its energy and water efficiency. Over the year, Manager 2’s Investment Team hosted two calls with Diageo’s management.

Following these engagements, Diageo is now more actively pursuing ambitious sustainability goals to improve efficiency across its overall business. For example, management at Diageo is now integrating ESG metrics into business performance and long-term share rewards. Diageo started its Water

Stewardship agenda in 2007. Between 2007 and 2020 Diageo achieved improvements of 46% in water use efficiency i.e., reducing the amount of water it takes to produce the end beverage. It is also targeting a further 40% improvement across water stressed areas and 30% improvements globally by 2030.

Through engagements, Manager 2 aims to improve its understanding of these projects – and the extent of their success – to enable it to assess the company's overall progress and the likelihood of the company meeting the ambitious targets set.

Manager 3

Voting

Manager 3 does not consult with clients before voting proxies. Manager 3 outsources proxy voting services to ISS.

Manager 3 engages third-party service provider ISS to provide proxy-voting services for client accounts (including Manager 3's Sponsored Funds), including vote analysis, execution, reporting and certain recordkeeping services. ESG principles are taken into account in the service provider's standard proxy voting policies. In addition, Manager 3 makes enhanced ESG specific proxy voting services available upon request. Proxy voting services are monitored periodically by Manager 3's Client Operations team.

Manager 3 generally follows the recommendations of its proxy provider, ISS, but may override an ISS decision in circumstances where ISS discloses a material conflict of interest, and Manager 3 determines that doing so would be in the best interests of its clients. The third-party voting service is reviewed regularly to ensure proxy voting recommendations are based on current and accurate information and to address any conflicts of interest or other areas of concern from the service provider.

At the time of writing, Manager 3 was unable to provide any voting examples.

Engagement

Manager 3 was unable to provide any engagement activity as it does not get directly involved in engagement activity given the quantitative nature of this process. All engagement activities are fully outsourced through Sustainalytics, offering an established, standardised and systematic engagement framework with a global investor base. The engagement framework is incident and compliance based; driven to remediate and mitigate violations of international norms and standards involving labour, environment, business ethics and human rights. On a quarterly basis, Sustainalytics produces a report on its engagements which is passed on to the Trustee.

Manager 4

Voting

Manager 4 utilises the services of Glass Lewis for proxy voting recommendations, research and advice. Glass Lewis does not provide consulting services to public companies, which means it can focus solely on the best interests of investors. The Proxy Adviser's approach to corporate governance is to look at each company individually and determine what is in the best interests of the shareholders of each particular company.

The voting recommendations of the Proxy Adviser are strongly considered; however, the final determination for voting in the best economic interest of the clients is the responsibility of the relevant strategy Investment Strategy Group ("ISG"). When a decision is reached to vote contrary to the recommendation of Glass Lewis, the ISG will address any potential conflicts of interest and proceed accordingly. Documentation is maintained to support voting decision, which will be reviewed by the Compliance Team.

Manager 4 will take reasonable steps to make sure that all proxies are received, and for those that Manager 4 has determined should be voted, are voted in a timely manner. Manager 4 uses Broadridge Proxy Edge to cast its votes.

Manager 4 provided a number of voting examples, however, all voting examples were in line with Glass Lewis' recommendations and the only voting rationale provided was that the vote was in line with the manager proxy voting policy which votes in the client/best economic interest.

Engagement

Manager 4 believes that company engagements enhance its understanding of company practices and goals in creating shareholder value. It gives Manager 4 the ability to assess individual companies' corporate culture and ESG challenges. Manager 4 identifies sustainability risks and opportunities that it believes are material to its investments and works with investee companies to refine practices around a given issue. Manager 4 engages with companies on a range of issues, including ESG topics that it believe are material to companies' corporate cultures and therefore long-term sustainability of the businesses.

Engagement example

Over 2021, Manager 4 engaged with Lululemon Athletica Inc, a U.S.-Canadian athletic apparel retailer, on issues around the firm's governance and executive remuneration, which were identified as a potential area of investment risk. Manager 4's research suggested that the company's executive compensation schemes were not adequately tied to long-term performance. As a result, it voted against the re-election of key members of the Board's compensation committee in its 2021 annual meeting.

The following year, Lululemon appointed a new Board Chair and Manager 4 requested a call in Q2 2022 that the Company granted. Manager 4 again articulated its concerns regarding Lululemon's equity compensation structure and encouraged the Chair to consider new Boardroom nominations and committee rotations. Manager 4 concluded that the Board is moving in the right direction with the appointment of a new Chair, and subsequently abstained on Executive Compensation to signal its support.

Engagement Activity – Fixed Income

Whilst voting rights are not applicable to non-equity mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and so debt issuers have a vested interest to make sure that investors are happy with the issuer's strategic direction and policies. Whilst upside potential may be limited in comparison to equities, downside risk mitigation and credit quality are critical parts of the investment decision-making process.

The following examples demonstrate some of the engagement activity carried out by the Scheme's fixed income managers over the year.

Manager 5

Engagement

Manager 5 engages directly with companies and collaboratively through its membership of industry bodies, on both company-specific issues and broader thematic engagements. Over 2021, these included its climate engagement programme and its diversity and inclusion programme, as well as thematic engagements on modern slavery in supply chains and thermal coal.

Engagement example (firm level)

Over 2021, Manager 5 engaged with pharmaceutical company, Cheplapharm, on its governance, board composition and fair pricing. Manager 5's aim was to encourage the company to introduce a supervisory board to ensure there was sufficient challenge to management in its decision-making processes. Manager 5 also wanted to ensure that appropriate measures were in place to manage the risks surrounding the pricing of medicines. Manager 5 met with Cheplapharm to discuss its ESG strategy, to encourage improved practices in relation to governance, and to ensure it was comfortable with the fair and ethical practices in relation to pricing. Manager 5 believed the engagement went positively with a commitment by the company to bolster its board and to look into publishing its pricing policy and as a result has closed this engagement.

Manager 6

Engagement

Manager 6 proactively engages on industry and regulatory issues that have implications for its clients and the wider market. Manager 6's credit analysts regularly meet with issuers to discuss ESG-related issues. Manager 6’s engagements inform its credit analysts’ views of companies and provide a platform for increased transparency on ESG issues and ongoing engagement to change company behaviour, where appropriate.

The credit analysts identify the engagement issues relevant for each issuer. If Manager 6 does not already have regular meetings with a company’s management, its investment teams will request a meeting with them. Where this is not possible, or if Manager 6 deems additional action to be needed, Manager 6 may consider raising issues with the company’s broker. If Manager 6 does not receive a response from the issuer when it engages with it then Manager 6 will lead a wider collaborative initiative, via the PRI or with other investors, to achieve greater influence over the issuer. It is involved in long-term initiatives such as Climate Action 100+ (CA100+).[1]

Engagement example (firm level)

In Q3 2021, Manager 6 engaged with TfL (“Transport for London”), UK government body responsible for most of the transport network in London, to discuss their overall carbon transition plans and ESG strategy. TfL has the largest bus fleet in the World and is targeting a fully electric fleet by 2037. Manager 6 asked the reason for the long transition period as it would prefer a more aggressive timeline. TfL stated that the rationale behind the timeline was based on costs: it will cost TfL £1 billion to scrap the bus fleet earlier then 2037 with the existing bus fleets locked 7 years into 14-year private lease contracts. TfL also pointed out it is already trialling hybrid buses and electric buses.

Manager 6 stated that the engagement confirmed that TfL is making convincing strides to transition to a lower carbon footprint. Overall Manager 6 was encouraged with the transition plans and the governance framework to ensure they are met.

Manager 7

Engagement

Manager 7’s credit analysts work with its Investment Stewardship team for joint engagement meetings with companies. Also, Manager 7’s Global Fixed Income ESG teamwork with the Investment Stewardship team to communicate ESG related topics to fixed income investors, and attend or host engagement meetings. Manager 7 also explores how factors such as climate change, the fair treatment of workers, and racial and gender equality, among others, are increasingly relevant to a company’s business operations

At the time of writing, Manager 7 did not provide a fund-level engagement examples for fixed income funds. The Trustee’s investment adviser, Aon, has raised this issue with Manager 7 previously and will continue to raise it in the future.

Engagement example (firm level)

Manager 7 engaged with science-focussed manufacturing and research company, Oxford Instruments, on the lack of diversity on its board ahead of the company’s AGM in September 2021. The company

[1] Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

had yet to reach the Hampton-Alexander target to have 33% representation of women and missed the 2020 target timeframe. Manager 7 considers having diverse and experienced board directors to be critical to the success of a company and long-term value creation.

Since the engagement, Oxford Instruments has appointed an additional female board member and stated that it intends to reach the target by its 2022 AGM. Oxford Instruments has also expressed its intention to work with consultants and search firms who have signed the Voluntary Code of Conduct for Executive Search Firms on gender diversity order to improve its recruitment of diverse executives and directors. Manager 7 will continue monitor the progress of the investee company as the company identifies and integrates new leadership in the months ahead.

Engagement Activity – Real Estate

The Trustee acknowledges that the ability of property managers to engage with and influence investee companies may be less compared to equity managers.

The following section demonstrates some of the engagement activity being carried out by the Scheme's property managers over the year.

Manager 8

Engagement

As a real estate investment manager, Manager 8 engages with the buildings it invests in on behalf of clients, rather than companies. Manager 8 seeks to enhance the fund and asset performance of clients' real estate portfolios through active ESG management.

Engagement example

Since 2020, Manager 8 started engagements to understand the potential physical and transition risks of two climate risk scenarios on its assets under management. Manager 8 considered this a significant engagement as it is in line with the UK declaration of a climate emergency and an emerging understanding of the financial risks that climate change poses for property investment. Manager 8 mapped its clients' portfolios against the long-term risks and opportunities from climate change, this aligns principally to SDG 13, Climate Action. The engagement was led by Manager 8's RI committee and supported by JLL Upstream Sustainability Services[2]. The IC considers climate-related risks on all capital expenditure proposals taking into account the risks highlighted by Manager 8's 2020 scenario analysis. As a result of the engagements, Manager 8 has reviewed all assets under management for renewable energy installation opportunities and is currently in the process of updating its risk management frameworks, acquisition checklist, development and refurbishment standards, and green lease clauses.

[2] JLL Upstream Sustainability Services: Jones Lang LaSalle Incorporate is a global commercial real estate services company whose upstream sustainability services supports net zero carbon, energy efficiency, social impact and natural capital ambitions of JLL's clients.

Appendix

Voting Statistics for the year ending 31 March 2022

	Number of resolutions eligible to vote on over the period	% of resolutions voted on for which the fund was eligible	Of the resolutions on which the fund voted, % that were voted against management	Of the resolutions on which the fund voted, % that were abstained from
Manager 1	475	100.0%	4.0%	0.2%
Manager 2	375	100.0%	1.3%	0.5%
Manager 3	6,806	95.3%	8.5%	0.6%
Manager 4	332	100.0%	6.0%	0.0%

Source: Managers