Engagement Policy Implementation Statement

Introduction

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

- Explain how and the extent to which they have followed their engagement policy, which is outlined in the SIP.
- Describe the voting behaviour by, or on behalf of the Trustee (including the most significant votes cast) during the Plan year and state any use of the services of a proxy voter during that year.

This document sets out the details, as outlined above. The EPIS for the GE Pension Plan ("the Plan") has been prepared by the Trustee of the Plan ("the Trustee") and covers the Plan year 1 April 2020 to 31 March 2021.

The identities of the Plan's investment managers have been anonymised.

Plan Stewardship Policy Summary

The below bullet points summarise the Plan Stewardship Policy in force over the majority of the reporting year to 31 March 2021. The full SIP can be found https://www.mygepension.com/assets/uploads/Documents-Forms/GEPP-SIP-signed-100920-NoSig.pdf

The Common Investment Fund and Manager 5 are responsible for the fiduciary management of the Plan's assets. As part of their delegated responsibilities the Trustee expects the Common Investment Fund, Manager 5, and the underlying fund managers to:

- Ensure that (where appropriate) underlying asset managers exercise the Trustee's voting rights in relation to the Plan's assets;
- Take into account environmental, social and corporate governance ("ESG") 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 receive 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 Plan, 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.

Plan 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.

Updating the Stewardship Policy

Throughout the year, the Trustee have been proactive to ensure the Plan appropriately updated the Stewardship policy in the SIP.

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers. The updated wording in the SIP illustrates how the Trustee recognise the importance of their role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Plan's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a monitoring reports being provided to the Trustee by their fiduciary manager: Manager 5. The reports include ESG ratings and highlight any areas of concern, or where action is required.

Climate risk management / TCFD / carbon reporting

The Plan is currently progressing towards meeting the requirements as set out as part of the Task Force on Climate-related Financial Disclosures ("TCFD"). The TCFD establishes a set of eleven clear, comparable and consistent recommended disclosures about the risks and opportunities presented by climate change. The increased transparency encouraged through the TCFD recommendations is intended to lead to decision-useful information and therefore better informed decision-making on climate-related financial risks. Aligning the Plan to the TCFD can be a long process and requires careful planning. Aon are currently working with the Trustee to agree an action plan to meet the required deadline, 1 October 2021.

Voting and Engagement activity – Global & Emerging Market Equity

The Plan invest in the following funds through the Common Investment Fund ("CIF").

Manager	Strategy
Manager 1	Global Equity
Manager 2	Global Equity
Manager 3	Global Franchise Strategy
Manager 4	Global Equity
Manager 5	Global Equity
Manager 6	Global Equity
Manager 7	Emerging Market Equity
Manager 8	Emerging Market Equity

The following sections focus on the voting and engagement practices and activity of the equity managers in line with the Trustee expectations. Voting statistics for these funds are shown in the Appendix.

Manager 1

Voting

Manager 1 engages a third-party service provider, Institutional Shareholder Services ("ISS"), to provide proxy-voting services for client accounts (including Manager 1 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 1 makes enhanced ESG specific proxy voting services available upon request. Proxy voting services are monitored periodically by Manager 1's Client Operations team.

Manager 1 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 1 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.

Manager 1 does not currently track significant votes.

<u>Engagement</u>

At a firm level, Manager 1 recognises that engagement is increasingly important to some of its investors, and as a result, has partnered with a leader in responsible investing to provide that service. 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. Historically, Manager 1 did not engage with companies, and due to the timing of this new partnership with Sustainalytics has not been able to provide engagement data for the requested time period but hope to be able to accommodate future requests.

Manager 2

<u>Voting</u>

Manager 2 has a proxy voting committee that is responsible for recommending proxy voting guidelines, establishing and maintaining policies and procedures for proxy voting, and ensuring compliance with these policies and procedures. Manager 2 uses its own bespoke policy, however it utilises ISS' platform to vote.

Manager 2 states that it will normally vote in line with management's recommendations, as it believes "voting with management is generally the same as voting to maximise the expected value of investments" following the extensive assessment of the company's management when choosing to invest.

<u>Voting example</u>

An example of a significant vote against management relevant to the Global Equity Fund took place in June 2020 whereby Manager 2 voted against management in relation to executive officers' compensation at a telecommunications company. Manager 2, along with c. 35% of shareholders voted against management regarding its remuneration policy, as it believed the CEO's compensation was excessive, and that half of it was time based, rather than performance based.

<u>Engagement example</u>

In November 2020, Manager 2 engaged with a computer software company regarding a shareholder resolution requesting that the company provide a gender pay gap report. After considering the case, Manager 2 decided to vote with management's recommendation against this resolution, but engaged with the company directly to communicate the importance that it attaches to this issue; which Manager 2 has stated it will continue to monitor to ensure that the issue is being adequately managed. Manager 2 did not support the shareholders' resolution as it believed it was not in the best financial interest of shareholders, and it stated that the company is already reporting in line with other technology companies and undertaking sufficient initiatives to ensure gender equality in the workplace.

Manager 3

Manager 3 considers voting as one of its key responsibilities as a long-term shareholder and as an important means of holding managements accountable. Manager 3 votes at all company meetings. The lead analyst for each company is responsible for voting that company's proxies and conducting engagement work, ensuring Manager 3's investment and ESG views are fully reflected in all its stewardship activities. The manager receives company research, global issuer analysis and voting recommendations from ISS. This is used in conjunction with the manager's company-specific research to inform its proxy voting decisions. While the manager uses ISS' research and analysis to inform its decision, the manager is not obligated to follow ISS' recommendations.

<u>Voting Example</u>

In April 2020, Manager 3 voted against an advisory vote to ratify the compensation awarded to named executive officers of a large global technology firm. This vote was deemed to be significant as it was against management.

Despite the recent introduction of performance share units, the manager continued to have significant concerns around the magnitude of pay, as well as overall levels of pay that are not closely linked to performance. The newly appointed CEO at that time received outsized equity awards totalling nearly $250 million, which were mainly time-based, and disclosure around the rationale for an award of this magnitude was limited. In addition, the manager felt that such sizable award opportunities should carry more rigorous performance criteria.

Despite the manager's concerns the advisory vote was passed and the compensation awarded to the company's named executive officers was ratified. However, the manager will continue to monitor material risks related to this topic going forward.

<u>Engagement Example</u>

In June 2020, Manager 3 wrote a letter to a computer hardware company's CEO to encourage the company to implement a compensation scheme which would provide stronger alignment between shareholders and management. In particular, it urged the company to remove the role of earnings per share in its framework so that buybacks can no longer be used as a tool to meet management targets, and suggested a framework which would be more weighted towards revenue growth, margins, and free cash flow. Manager 3 followed up on this topic in a meeting with the CEO in August and then again in a meeting in September with the CFO.

The manager noted that the company had not taken any action at that time of writing, although management seemed potentially receptive to the manager's suggestions at the time. Following these engagement activities, Manager 3's planned course of action was to engage on this issue with other senior executives at the company. However, Manager 3 subsequently fully redeemed from the position in January 2021 due to concerns about the vitality of the business.

Manager 4

<u>Voting</u>

Manager 4 votes on behalf of its clients in accordance with its own Proxy Voting Guidelines which govern, under each category, whether to vote For, Against or Abstain. These guidelines are approved collectively by the Portfolio Managers and they are reviewed semi-annually. Portfolio Managers maintain final decision-making responsibilities for all votes, based on the detailed knowledge of the companies in which Manager 4 invests. Proxy voting decisions are the result of careful judgement in order to ensure the best possible outcome to generate long-term shareholder value. The Portfolio Manager will vote against any agenda that threatens this position, in particular, concerns over inappropriate management remuneration or incentives, changes in capital structure and mergers or acquisitions which are seen as detrimental to the investment held.

Manager 4 appointed Glass Lewis in Q1 2020 to aid the administration of proxy voting and provide additional support in this area.

Voting Example

An example of a significant vote over the period was with an abstain vote in relation to a large multinational company on executive compensation. Manager 4 pays careful consideration to the compensation policies of the companies in which it invests. In assessing its compensation policies, it focuses more on how incentives are structured rather than the actual quantum of compensation. In other words, Manager 4 can be comfortable with large rewards; provided that the incentives are aligned with shareholders' interests and its principles. In the case for this company, Manager 4 did not believe that the company's compensation policy was aligned with the long-term best interests of the shareholders. Manager 4 engaged with the company's compensation committee before the vote to signal its intentions to abstain. The outcome of the vote was the resolution was approved. This is a significant vote on the basis that it is the only instance of an abstain vote by the manager over the reporting year.

Engagement

Given the concentrated nature of Manager 4's portfolios and the fact that it builds up large, long-term, stakes in the businesses in which it invests, Manager 4 is able to prioritise all engagement activities and considers them all to be significant.

Manager 4 has provided a number of manager level engagement examples.

Engagement Example

Manager 4 engaged with a fashion company about its supply chain controls following the poor labour practices of another clothing manufacturer, coming to light. The Chairman explained that the business practices uncovered at the other company are largely confined to fast fashion, which relies on selling large volumes of product with thin margins. This is not the case at the company. Nonetheless, the company has a robust supplier vetting programme and a tightly controlled supply chain to protect brand health. For the company, the key risk in the supply chain is subcontractors as it's harder to maintain oversight of them. The company is alert to the risks of complacency and has a framework in place to protect the business from reputational damage. The Chairman drew Manager 4's attention to the company's evolving statement of purpose, which aims to build on its assessment and response to such risks.

Manager 4 concluded that there were no immediate areas of concern and view this increased focus on environmental and social factors as a demonstration of how the company is working to ensure its durability.

Manager 5

Voting

In order to facilitate Manager 5's proxy voting process, Manager 5 retains the proxy service provider ISS. Manager 5 utilizes ISS' services in three ways. First, as Manager 5's proxy voting agent, ISS provides Manager 5 with vote execution and administration services. Second, ISS applies Manager 5's Proxy Voting Guidelines where appropriate. Lastly, ISS provides the highest level of research and analysis related to general corporate governance issues and specific proxy items.

The Stewardship team reviews its Proxy Voting Guidelines with ISS on an annual basis or on a case-by-case basis as needed. ISS affects the proxy votes in accordance with Manager 5's Proxy Voting Guidelines. Voting matters that are nuanced or that require additional analysis are referred to and reviewed by members of the Stewardship team. Members of the Stewardship team evaluate the proxy solicitation to determine how to vote based on facts and circumstances consistent with Manager 5’s Proxy Voting Guidelines, which seek to maximize the value of our client accounts.

All voting decisions are exercised exclusively in accordance with Manager 5’s in-house policies and/or specific client instructions. Manager 5 states that it has established robust controls and auditing procedures to ensure that votes cast are executed in accordance with Manager 5 instructions. Manager 5 publishes a record of its global voting activity.

<u>Voting Example</u>

Manager 5 voted abstain in 2020 in relation to resolutions at a banking and financial services corporation regarding climate change action and renewable energy, and similarly to another similar resolution on climate change action at another company. For these resolutions, Manager 5 states it abstained on the proposal as the corporation's disclosure and/or practices related to climate change are broadly in line with market standard but could be enhanced. On the other hand, in May 2020, Manager 5 supported the resolution for a report on climate change at an energy company on the basis that the proposal merits support as the company's disclosure and/or practices related to climate change can be improved.

<u>Engagement</u>

Manager 5's Stewardship Team has developed an Issuer Engagement Protocol which complies with the principles of the Shareholder Rights Directive II and a framework to increase the transparency of their engagement philosophy, approach and processes. This protocol is designed to communicate the objectives of Manager 5's engagement activities and to facilitate a better understanding of its preferred terms of engagement with investee companies. Manager 5 monitors the percentage of engagements with companies that have been previously identified as requiring proactive discussions and the percentage of unique engagements to ensure that engagement activity is aligned with the long-term, risk-based approach to stewardship that is fundamental to Manager 5’s program. Manager 5 actively seeks direct dialogue with the board and management of companies that have been identified through its screening processes. Manager 5 regularly reviews its Issuer Engagement Protocol to ensure that interactions with companies remain effective and meaningful. This includes reviewing indicators in Manager 5 screening models and assessing emerging ESG issues and trends.

<u>Engagement Example</u>

In October 2020, Manager 5 conducted an off-season ESG engagement with a technology company. For many years, Manager 5 has engaged with companies that run social media platforms to understand how they manage the unique risks created by their products. During the conversation, Manager 5 asked how the company manages hateful and violent content on its popular gaming platform. The company’s team committed to engaging with the appropriate teams internally to provide more information. In December 2020, they contacted the manager to share the update that the platform implemented guidelines to limit hateful content and harassment on the site, the policy attracted significant press coverage.

Manager 6

<u>Voting</u>

Manager 6 has engaged and adopted the proxy voting policies of Glass Lewis and use Broadridge Proxy Edge to cast its votes. Manager 6 may choose to vote a proxy against the recommendation of Glass Lewis, if Manager 6 believes such vote is in the best economic interest of its clients. In such cases, this decision will be made by a team who will maintain documentation to support Manager 6’s decision.

<u>Voting Example</u>

Manager 6 provided a number of voting examples, however, all vote 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

As at the time of writing, Manager 6 (via the Fiduciary manager, Manager 5) have not provided information on engagement activity. The adviser, on behalf of the Trustee is following up for the data.

Manager 7

Voting

Manager 7's Director of Risk and Compliance is responsible for proxy voting. He communicates with the heads of investment research teams at the Group's offices in London and Singapore in regard to approaching proxy voting deadlines, affording them the opportunity to volunteer recommendations on voting action.

Manager 7 uses Broadridge's ProxyEdge to conduct proxy voting. The manager does not use external proxy voting advice at this time, relying instead upon the recommendations provided by its own in-house investment analysts.

Voting Example

An example of a significant vote against management relevant to the fund took place in March 2021 with a Petrochemical company. The resolution involved a proposal to replace an independent director with a non-independent director in a Board change. Manager 7 took the view that a reduction in the proportion of independent directors on the company board is a move in the wrong direction for corporate governance. It also marks no change in Board diversity, with only 2 female directors out of 15 Board members.

Engagement

As at the time of writing, Manager 7 (via the Fiduciary manager, Manager 5) has not provided information on engagement activity. The adviser, on behalf of the Trustee is following up for the data.

Manager 8

Voting

Upon receiving ISS notifications on upcoming shareholder meetings, Manager 8 reviews all items on the ballot and makes its voting decisions independently, based on its own assessment of the specific company circumstances and on principles that are in accordance with custom proxy voting guidelines.

Manager 8 updates and publishes its Voting Guidelines on an annual basis and engages a proxy advisor to implement these guidelines in those jurisdictions where they are applicable. The proxy advisor also makes voting recommendations in jurisdictions where its Voting Guidelines may not be applicable, as is the case in many Emerging Market ("EM") countries. In those instances, while the manager acknowledges its proxy advisor's regional guidelines, the manager still reviews each proposal and votes based on its own assessment of the specific company's circumstances.

Voting and engagement examples

Manager 8 states that since a decision to invest in a company at least in part reflects the manager's confidence in its management, the manager often supports management on routine matters or when the manager feels long-term strategic needs are being misunderstood by proxy voting advisors. A recent example of where the manager voted for management, despite a recommendation to vote against, relates to a Thailand based consumer staples company. Shareholders were asked to approve a change in the status of the company from foreign direct investment to domestic direct investment (something not unusual in EMs where there are restrictions on foreign ownership of local businesses). Glass Lewis' recommendation to vote against management was based on the lack of information disclosed by the company in relation to this proposal. Manager 8 believes that this is when its closeness to the management of the companies it owns can really make a difference. After speaking to the company about the issue, the manager decided to vote in support of management. Management explained to Manager 8 that the rationale for the change in status was to secure future growth and enable the company to invest in smaller cities (second and fourth tier cities) without being capped at a certain investment amount due to the aforementioned foreign ownership limits that exist in Thailand.

Manager 8 states it has engaged with all companies in its portfolio over the last 12 months and a key theme over the past year has been climate change in emerging markets. The manager has witnessed the significant physical and social effects of climate change as well as the magnitude of the associated financial implications. The manager believe that the risks are skewed towards EM, and it has therefore assessed climate change risks and preparedness at a country level, introduced green infrastructure as a theme in the portfolio, and engaged with portfolio companies on the topic.

Voting and Engagement activity – Private Equity

The Trustee acknowledge that integration of ESG factors and transparency in private equity is arguably not as well developed as in other asset classes, however, recognise the ability of private equity managers to significantly engage and influence companies. The Plan has invested in 24 private equity funds, some managers were not able to provide material information on their stewardship activity as at the time of writing. The following section demonstrates some of the stewardship related activity being carried out on behalf of some of the private equity managers of the Plan over the year.

Manager 9

Before investing, Manager 9 conducts ESG diligence and consults with outside advisors to identify ESG risks, risk mitigants and ESG opportunities. Information gained from ESG diligence informs the collective understanding of a company's baseline performance relating to material ESG issues and helps to inform the manager's engagement with a company post-acquisition. Where Manager 9's funds have sufficient influence or control, the manager can help drive value by engaging with companies to encourage them to continuously measure, manage, and improve their ESG performance.

At events like its quarterly ESG webinars and Manager 9's Portfolio Company Conference, companies have the opportunity to learn from one another and from expert advisors about how to make progress on ESG issues. The manager asks portfolio companies to report on more than 30 quantitative ESG key performance indicators and to provide qualitative information on portfolio companies' initiatives in 15 general ESG-related categories. Manager 9 compiles and analyses the data, follows up with portfolio companies as necessary, reports the results to its investors in its annual Responsible Investing Report, and uses ESG data to inform company engagement.

In 2020, Manager 9 adopted a comprehensive Responsible Investing and ESG Policy, with specific policies for each asset class. The manager has built upon its existing governance infrastructure: firmwide decisions on ESG issues are now made at the most senior level, led by an ESG Steering Committee chaired by its Global Head of ESG. In 2020, Manager 9 also officially become a UN PRI Signatory.

Manager 10

Manager 10 states that given it is a debt investor, and not owner of businesses, it has more limited legal mechanisms to influence borrowers. However, the Trustee would still expect it to engage with its underlying investments as a steward of capital. It does engage with portfolio companies on ESG issues. Until recently, all engagements were conducted on an ad hoc basis where the manager believed ESG issues could be better managed by the company. In March 2021, Manager 10 rolled out its ESG Target Improvement Plan for all new borrowers. This plan offers financial incentives via interest rate discounts to borrowers that meet certain agreed upon environmental and social performance targets. As this plan was only implemented in March, Manager 10 is still in the early stages of discussing the Plan with its new borrowers and is currently unable to provide details on the outcomes. The manager stated that it will disclose details of its ESG Target Improvement Plan and updates on borrowers' progress via the quarterly reports to investors.

Manager 11

An example of product level theme engagement that took place between Q4 2019 to Q2 2020 was in regards to climate change via Manager 11's fund-level climate scenario analysis. The objective of the engagement was to understand the level of physical and transition risk within the manager's latest three funds, and engage with select underlying General Partners ("GPs") on climate risk. Manager 11 addresses climate change and climate risk as an integral part of its approach towards the management of ESG factors. The manager is particularly focused on ways to meaningfully act on the key recommendations of the TCFD and its fund-level climate scenario analysis is inherently a key part this. In addition to using the analysis as an internal data point on climate risk within its portfolios, the manager also recognised that this was a meaningful opportunity to engage with major underlying GPs on the findings of the manager's scenario analysis. The manager shared and discussed asset-level findings of the scenario analysis with the underlying GPs and provided deep dive questions for highest risk sectors (where relevant). Manager 11 suggested that underlying GPs use this as a starting basis for conducting further and more detailed climate scenario analysis within their own portfolios.

Overall, Manager 11 believes the results of the scenario analysis validate its diversified approach to investing and overall approach to ESG management. The findings have been valuable for the manager and have highlighted the differing levels of physical and transition risk across its investments. The scenario analysis has also helped to inform and enhance the manager's existing risk management, including in the following ways:

- To enable more informed investment decision making and enhanced due diligence questioning for relevant investment opportunities;
- To enable further engagement with underlying GPs on the climate crisis (e.g. by providing scenario analysis results and undertaking deep dive engagements with the GPs where there is the most influence); and
- As a springboard to encourage GPs and their portfolio companies to undertake their own climate scenario analysis.

Manager 11 aims to conduct further scenario analysis on its latest fund as it develops.

Engagement activity – Fixed Income

The Plan also invests in a number of fixed income strategies across corporate bonds and multi-asset credit. While the Trustee acknowledge the ability to engage and influence companies may be less direct then in comparison to equity holdings; there is still clearly the opportunity for very material influence by engaging in fixed income assets.

The following examples demonstrate some of the engagement activity being carried out on behalf of the Plan over the year.

Manager 12

At Manager 12, the firm-wide engagement program also benefits investments in corporate bonds issued by companies. Manager 12's Investment Stewardship team is positioned as an investment function, which allows for the mutual exchange of views with active portfolio management teams across equity and credit. In addition, the manager's Global Fixed Income Responsible Investing team may partner with the Investment Stewardship team to reflect on ESG related topics from fixed income investors as well to attend or host engagement meetings on certain highlighted ESG flagged holdings. An ESG flagged holding is one where the manager holds a significant exposure in fixed income portfolios, and the issuer is flagged as low rated/controversial by external ESG rating providers or is highlighted by their credit research.

An example of an engagement by Manager 12 was with a natural gas company. The manager discussed several engagement topics with the company such as governance structure, corporate strategy, environmental risks and opportunities. This included questions on the company's approach to the European regulatory environment, its views on electric vehicle penetration as a risk to their business, and their risk management in relation to physical climate change risks.

Manager 13

Manager 13 proactively engages on industry and regulatory issues that have implications for its clients and the wider market. These include the transition from LIBOR, central clearing for European pension schemes, and RPI reform.

Over 2020, the manager engaged with a brewing operations company on cost reduction measures, governance and food safety. The Manager identified various potential ESG risks to the company's business; some heightened by the forced pub closures related to Covid-lockdowns. As part of the manager's process, it engaged with the company to evaluate how the company was planning on mitigating these and other risks. The risks identified were:

- Food quality and safety: there are various food safety sourcing risks for pubs in general.
- Governance:
- Potential governance challenges on both, securitisation and at Plc level.
- The company's board structure proved to be strong and diverse; given interest coverage covenants were waived due to forced pub closures, there is increased focus on other securitisation covenants such as around pub sales, cashflow retention etc. ensuring full compliance.
- Labour management:
- Most employees were furloughed; the company did not plan any job cuts as a result, although they did not provide benefits for staff that are ill, which is understandable given the burden on their business model.
- Labour management: concerns around job losses following forced pub closures.

The manager will continue to monitor the company, however it is comfortable maintaining its position based on the engagement and improvements made. The company is also part of the FTSE4 Good ESG score index, an external metric of key sustainability factors.

Manager 14

Manager 14 does not have a formal engagement policy. Manager 14 states that it engages with companies on ESG issues on an ad hoc basis where it deems it to be material and relevant to its investment thesis. Upon engagement, a company's response is incorporated into Manager 14's investment decision-making and monitoring. A key consideration in Manager 14's investment process is whether or not a company is being managed for the long-term benefit of its shareholders.

Manager 14 provided one engagement example that appears to have concluded outside of the reporting year. By May 2017, a leading producer of paints, performance coatings, and speciality chemicals company ("Company A") had received three acquisition offers from a competitor, and the world's largest coatings company by revenue ("Company B"), each at a significant premium to its share price. Citing an internal strategy to drive an increase in value, Company A's management declined all three offers and denied shareholders an opportunity to vote on Company B' offer. The manager engaged directly with the management team and the Chairman of the Board of Company A to express its point of view. Company A has an anti-takeover defence provision in place that makes it very difficult to vote out the company's supervisory board. While some shareholders went to court to try to remove the Chairman, the manager wrote the court a letter defending the essential shareholder right to vote. Company A won the lawsuit, but the judge indicated in the ruling that the company needed to improve its relationship with shareholders.

After thoroughly reviewing the company, the manager decided to continue to hold Company A because it believe the company's discounted valuation relative to industry peers does not reflect the opportunity for revenue and earnings growth. Moreover, Manager 14 are encouraged by recent steps taken by the board to improve Company A's governance practices.

Engagement activity – Real Estate

The Plan also invests in a number of real estate strategies. While the Trustee acknowledge the ability to engage and influence companies may be less direct then in comparison to equity holdings; from the information received, it is encouraging that the managers are aware and active in their role as a steward of capital.

The following examples demonstrate some of the engagement activity being carried out on behalf of the Plan over the year.

Manager 15

As a real estate investment manager, Manager 15 engages with the buildings it invests in on behalf of clients, rather than companies. The manager seeks to enhance the fund and asset performance of its clients' real estate portfolios through active ESG management. The manager has therefore provided examples that relate to internal engagement and industry engagement rather than engagement with investees.

One such example of engagement at the firm was in regards to improving and increasing reporting of climate-related financial information and improve the resilience of the manager's assets under management. The manager became supporters of the TCFD in 2020. Furthermore, the manager included TCFD disclosures in its 2020 Responsible Investment Report, which is distributed widely to clients, investment consultants, suppliers, employees and the media.

An engagement example specific to the strategy is seen through activity in relation to the objective to ensure a robust and consistent approach to ESG issues in property management across all the manager's portfolios. The manager liaised with property manager leads via email and hosted a roundtable with all its property managers in July, utilising the launch of the BBP Managing Agent Sustainability Toolkit to collaboratively update the manager's RI Managing Agent Guidelines.

Manager 16

Manager 16 has a tenant liaison policy which requires the managing agents to develop a specially targeted tenant engagement programme for all assets. This process is incorporated in the green lease clauses which the manager tries to place into every new lease.

Manager 16 enhances the level of interaction with tenants by engaging with them on the operational aspects of the buildings they own and tenants occupy. The manager believes that by fostering closer relationships with tenants, it can influence them to use the buildings the manager owns in a more efficient and sustainable manner.

Feedback from tenants is gathered through various channels. There is a multi-channelled approach:

- Each property manager, from Manager 16's managing agent, meets each tenant at least once a year for a conversation using a set format of questions and gathers feedback electronically; and
- From a corporate perspective, Manager 16's real asset managers have 'key contacts' with larger tenants in order to develop a corporate relationship to discuss all initiatives and gather feedback.

Manager 16 is currently implementing new and innovative systems in order to improve the provision of data which will in turn allow it to engage in even greater depth with tenants and action feedback.

Voting and Engagement activity – Hedge Funds

Over the year, the Plan was invested in a number of hedge fund strategies. Opportunities for engagement are limited in such investments given the potentially short-term holding period and use of derivatives. Nonetheless, the following examples demonstrate engagement activity with stakeholders carried out on behalf of the Plan by some of the hedge fund managers.

Manager 17

Voting

Manager 17 states that it normally votes alongside management. However, on rare occasions, the manager may decide to vote against management on certain issues if it believes it is in the best interests of its fund investors to do so. Such reasons include but are not limited to: proposals to materially reduce shareholder rights and or limit the equitable treatment of shareholders; management incentives that are not aligned with shareholders' best interests; reduced board effectiveness or reporting transparency; or long term value-destructive proposals. In these limited cases, the manager aims to raise concerns with the companies ahead of voting and explain the rationale behind the decision.

Voting rights may be exercised either directly by Manager 17 or by giving a proxy to a third-party. The manager utilises ISS and Glass Lewis as proxy advisors but states that they are only used for execution purposes. Research analysts are in charge of taking the voting decisions but the ESG team makes sure that Manager 17 votes its shares according to homogeneous criteria and provides guidance when needed. All voting decisions are documented, rated in the manager's internal scoring system and shared with the investment team, becoming an input in the manager's investment decision process.

Voting Example

An example of a significant vote against management took place in September 2020 with a luxury goods company regarding a vote on the long-term remuneration for the Senior Executive Committee. Manager 17 felt this was excessive remuneration for the Senior Executive Committee. The vote was deemed significant due to the potential impact on financial outcome, potential impact on stewardship outcome, and the size of the position. The resolution was approved and the manager stated that it will follow up by engaging with management to influence the remuneration policy.

Engagement Example

A healthcare company was first listed in March 2018 and Manager 17 has been shareholders since the Initial Public Offering and engaging with the company on all topics, in particular, ESG given the company's focus on healthcare access. The manager considers this a good example of how a good and frank long-term relationship helps to partner with its investee companies.

During the period, the engagement objective was to consider all ESG matters and the definition of an ESG strategy & policy. The engagement involved a series of calls with the Investor Relations Team and the Chairman to discuss the company's ESG policy and the compensation structure. This was followed by a presentation from Manager 17's Lead Research Analyst to the Board of Directors and global management team of the company, which included a discussion on sustainability, company culture, access to talent, compensation structure and capital allocation. Subsequently, Manager 17 has had a number of interactions with the Director responsible for ESG. Recently, the manager have expressed its disagreement with the company's method of capital raising given how detrimental it is to minority shareholders.

The outcome of the engagement was that the company published an ESG policy with Manager 17's input. Furthermore, the company's compensation policy included a number of the manager's recommendations. The manager states that it will continue to engage with the company on sustainability issues.

Manager 18

Voting

Manager 18 states that it monitors corporate events and vote proxies on behalf of each client that has expressly or implicitly authorized the manager to do so. If the manager accepts proxy voting authority from a client, the manager will analyse the issues involved with all shareholder votes, evaluate the probable impact on corporate operations, and vote proxies in what it views to be in accordance with the best interests of its clients. The manager will not put its own interests ahead of its clients' interests at any time and will resolve any potential conflicts between its interests and those of its clients in favour of its clients.

This does not mandate that Manager 18 votes every proxy that it receives in regard to securities held in client accounts. There may be circumstances when refraining from voting a proxy is in a client's best interest, such as when and if the manager determines that the cost of voting the proxy exceeds the expected benefit to the client. Further, the manager will not vote proxies for which a client has expressly retained voting authority. Accordingly, when the manager has the discretionary authority to vote the proxies of its clients and determines that it is in the best interests of its clients to do so, it will vote those proxies in the best interest of its clients and in accordance with the manager's policy.

<u>Engagement Example</u>

While Manager 18 is not an activist investor and doesn't typically encounter the need to become involved in such engagement on a regular basis, the manager has engaged with at least one company to express concern around and suggest improvements to the company's environmental impact. An example of engagement at the firm level during the period was with an online clothing retailer, regarding the waste management practices of the company. The manager's team engaged with the company to express concern around and suggest improvements to the company's environmental impacts and expects to do more in future. The manager's suggestion that management seek to either improve their practices or provide other reassurances by obtaining an ESG certification was met with a positive response by the company. The company announced the following quarter that it was taking actions across three areas to address sustainability concerns.

Manager 19

<u>Voting</u>

Manager 19 has granted proxy voting advisor Glass Lewis power of attorney to vote proxies according to the best interests of shareholders. Glass Lewis votes the proxies according to its Proxy Paper Policy Guidelines, which are developed to vote proxies in the best interests of shareholders and are updated annually. Glass Lewis's guidelines do also take into account ESG considerations. In addition to the advisor's Proxy Paper Policy Guidelines, Glass Lewis, conducts independent research and makes recommendations for each proxy vote. As an independent third party, Glass Lewis provides voting recommendations that are not influenced by any conflicting interests of Manager 19, if any. Manager 19 leverages Glass Lewis but ultimately retains discretion.

In summary

Based on the activity over the year by the Trustee and their service providers, the Trustee are of the opinion that the stewardship policy has been implemented to a medium extent. While there is significant evidence of stewardship activity in most funds, there are also a number of areas where more transparency could be achieved. The Trustee will relay these concerns to the appropriate asset managers as required.

The Trustee expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement.

Voting Statistics - Global & Emerging Market Equities

For the period from 1 April 2020 – 31 March 2021

	% resolutions voted on for which the fund was eligible	% that were voted against management	% that were abstained from
Manager 1	96.5%	9.4%	1.1%
Manager 2	100.0%	5.0%	0.0%
Manager 3	100.0%	9.3%	3.7%
Manager 4*	-	-	-
Manager 5	99.8%	10.4%	0.5%
Manager 6	100.0%	5.0%	0.0%
Manager 7	100.0%	4.2%	3.4%
Manager 8*	-	-	-

Source: Investment Managers

*The fund manager has been unable to provide voting statistics for the period covered.

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