

DB Implementation Statement

Combined Nuclear Pension Plan (the “Plan”)

Introduction

The regulations that apply to the Plan are the Pensions Protection Fund (Pensionable Service) and Occupational Pensions Schemes (Investment and Disclosure)(Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual statement called an Implementation Statement ("IS") which outlines the following in relation to the DB structure:

- A summary of the changes made to the Statement of Investment Principles ("SIP") over the Plan year;
- Evidence on how the Trustee have fulfilled the objectives and policies included in the SIP over the Scheme year;
- A description of 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 third party providers of proxy voting services.

The IS has been prepared by the Trustee and covers the Plan year 1 April 2021 to 31 March 2022.

Executive summary

Based on the activity over the year by the Trustee and its investment managers, the Trustee is of the opinion that its policies have been implemented effectively in practice. The Trustee notes that 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 Plan through considered voting and engagement.

The Trustee recognises that it has a responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets in which the Plan invests in. The Trustee will therefore continue to use its influence to drive positive behaviour and change among the managers that it has employed to invest the assets of the Plan, and with other third parties that the Trustee rely on such as its investment advisors. The Trustee will monitor, assess and ultimately hold them to account to make sure that the assets of the Plan are appropriately invested.

The Trustee recognises that it cannot directly influence the ESG integration nor stewardship policies and practices of the manager/policy providers for the annuities, additional voluntary contribution ("AVC") and liability driven investment ("LDI") mandates, which are therefore not included here.

1. Overview of Trustee actions

This Statement sets out the actions undertaken by the Trustee to review how the service providers and investment managers have implemented the policies as set out in the SIP and includes their voting and engagement information that has been gathered from the managers.

The Trustee's primary concern when setting the investment strategy is to act in the best interests of the beneficiaries, seeking the best return that is consistent with a prudent level of risk. The Trustee believes that promoting corporate responsibility and ensuring the highest standards of governance is consistent with this objective.

The Trustee has reviewed the voting policies for the appointed investment managers and deemed that these policies are appropriate. The Trustee monitors voting and engagement activity and will periodically review amendments to managers' policies. The Trustee expects the managers to exercise its voting rights wherever possible and to promote positive change in the companies in which they invest on the Plan's behalf.

1a. Review and changes made to the SIP over the year

The Trustee will review the SIP every three years or more frequently as considered appropriate by the Trustee, and specifically in response to legislative and regulatory changes or a change in the attitude to risk of the Trustee or the sponsor, if appropriate.

The SIP remained unchanged over the Plan year to 31 March 2022. However, shortly after the reporting year-end, in April 2022, the SIP was updated to reflect the restructure to the Common Investment Platform (CIP), provide the most up to date investment manager allocations within each of the CIP Funds, and revise the strategic asset allocations for each of the underlying Sections. The Trustee sought input on these changes from their investment advisor and the Sponsor.

1b. Meeting the Trustee's overriding funding principles

The Trustee outlines in the Plan's SIP several key objectives and policies.

The primary objective of the DB Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee's overriding funding principles for the DB structure, and how these have been met by the Trustee are:

Overriding principle	Action taken by the Trustee
To build up assets to provide for new benefits for active members as they are earned.	<p>The Trustee worked in conjunction with its advisors in relation to the triennial actuarial valuation. This was most recently undertaken as at 31 March 2019, to assess whether the Plan has sufficient assets to cover the liabilities on an ongoing basis, with investment strategy work continuing during the Plan year.</p> <p>The Trustee continued to monitor the assets versus the liabilities on an ongoing basis, with the support of its advisors.</p>
To recover any funding shortfall over an agreed time frame.	<p>The Trustee and the Sponsor have agreed recovery plans to address the deficit in funding.</p> <p>As part of the last triennial valuation, as at 31 March 2019, the Trustee reviewed the deficit funding requirement and agreed with the relevant employers the recovery plan for each Section. The Sections of</p>

	the Plan have received the deficit contributions, as expected.
To ensure that there are always sufficient assets of the Plan (at their realisable value) to meet 100% of benefits as they fall due for payment to members.	The Trustee, in conjunction with the Plan's administrator and investment advisor, has ensured that there has been sufficient cash available to meet benefits as they fall due. Where necessary, the Trustee has disinvested assets over the year, after taking advice from its investment advisor.

1c. Meeting the Trustee's policies set out in the SIP

The SIP includes the Trustee's policies on several specific areas. The following information below confirms how these policies have been met during the Plan year.

1c(i). Investment strategy review

The Trustee, with the support of its investment advisor, undertakes a full investment strategy review after each triennial actuarial valuation.

Following the results of the 31 March 2019 actuarial valuation, the Trustee completed a strategy review over 2020 and 2021. As part of this, the Trustee considered the Plan's long-term goals and funding plan, along with the investment return required over time. The Trustee's investment advisor proposed changes which it deemed to be in line with the over-riding principles for the DB structure.

The Trustee delegates functions to the Investment Sub-Committee (the "ISC"), which are set out in the Terms of Reference. The ISC, with the support of the investment advisor, completed the investment strategy review, agreeing suitable target returns and portfolios for each of the underlying Sections.

Each Section allocates to a combination of five Common Investment Platform ("CIP") Funds, depending on specific risk and return objectives. Each CIP Fund provides complementary risk and return features to help the underlying Sections meet their specific risk and return objectives.

The purpose of each CIP Fund is set out in the table below.

CIP Fund	Investment Objective
Growth Fund	Main source of investment returns. Access to a diversified range of return-seeking assets, including global equities, property, active credit and private credit.
Illiquid Growth Fund	Separates out the most illiquid growth assets, allowing the Sections to control allocations to illiquid assets. Expected to deliver significant levels of growth over the long term, with allocations to the private market assets.
Liquid Credit Fund	Focussed on high quality, liquid credit, aiming to deliver steady returns with potential to distribute income.
Gilt Fund	Used by the NDA-backed Sections (and GPS Nexia). Provides exposure to long dated index-linked gilts as a diversifier to the growth assets.
Hedging Fund	Used by Springfields Fuels 2 and GPS WEC Sections. Provides high levels of tailored liability hedging.

Over the Plan year, the ISC and Trustee reviewed the components of the CIP, ensuring there were sufficient options to allow each Section to build a diversified investment portfolio with risk and return metrics suitable to each Section. Once these high-level decisions had been made, the Trustee started to review the investment manager line-up of each of the five CIP Funds and, where appropriate, consider changes, with the support of their investment advisor.

1c(ii). Risk management

As part of the investment strategy review, the Trustee considered the investment risks which it believes that each Section is exposed to. These include:

- The maturity and cashflow profile of the section;
- The strength of the covenant provided by the sponsoring employers;
- Variation in interest rates and inflation;
- Environmental, social and governance issues (ESG), including climate change; and
- Capital market risk and the benefits of diversification by market and within markets to mitigate market concentration.

In line with the policy set out in the SIP, the Trustee maintained a risk register setting out specific risks faced by the Plan and measures in place to monitor or mitigate these risks. Investment risks are categorised in terms of strategic, implementation, market and regulatory risks. Each risk identified is managed through a combination of ongoing monitoring and specific risk controls, with the aim of reducing both likelihood or impact of risks materialising and thus the impact on the Plan. The ISC met on a quarterly basis and reviewed the risk register.

The Trustee reports on the risks associated with its investments annually in the investment risk disclosure report accompanying the Plan's Annual Report. This report covers the action taken by the Trustee to monitor the risks associated within the DB Sections of the Plan, considering separately market risks, credit risk, interest rate risk, inflation risk and other price risk.

1c(iii). Appointment of investment advisors, investment managers and custodians

Over the Plan year, the Trustee did not appoint any new investment managers. However, a significant amount of restructuring work was completing following the review of the CIP Funds in the previous Plan year.

In July 2021, the Trustee restructured the CIP Gilt Fund with the support of its investment advisor. Legal & General Investment Management ("LGIM") was retained as the single investment manager for the CIP Gilt Fund, and the underlying liability matching assets held were simplified. The CIP Gilt Fund holds unleveraged and long-dated index-linked government bonds only, designed to provide some protection against changes in long-term interest rates and inflation expectations.

Also in July 2021, the Trustee restructured the equity portfolio, held within the CIP Growth Fund, with the support of its investment advisor. LGIM was retained as an investment manager for the Plan's global equity investments, and the previously held passive regional equity funds were switched for a passively managed ESG-specific global equity fund. The 50% currency hedging was retained.

In September 2021, the Trustee removed MFS International as a manager of the Plan's global equity investments. Following advice from its investment advisor, the Trustee decided to simplify the Plan's global equity portfolio within the CIP Growth Fund.

Over October 2021, the Trustee removed Pictet Asset Management from the CIP Growth Fund. Assets were divided between the mandates with LGIM and Barings, after recommendations from the Trustee's investment advisor.

Finally, in December 2021, the Trustee implemented a bespoke liability hedging solution for the CIP Hedging Funds to provide bespoke liability hedging for the non-NDA-backed Sections, after recommendations from the Trustee's investment advisor.

The Trustee, after taking recommendations from its investment advisor, agreed further commitments to private markets investments. This included a commitment to £250m to new private credit assets over the next two years and £200m to private equity assets.

The Trustee's investment advisor undertook due diligence on the Trustee's behalf in advance of all manager appointments. The Trustee's legal advisor supported due diligence assessments where necessary. All planned new appointments were in line with the kinds of investment to be held by the

Plan as outlined within the SIP, which sets out that the Plan may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index linked bonds, cash, property and commodities, either directly or through pooled funds. The Trustee considers all these classes of investment to be suitable for the Plan.

There were no changes to advisors or custodian over the Plan year.

1c(iv). Reporting and monitoring investment performance

To monitor asset allocation and performance against expectations outlined in the SIP, the Trustee received quarterly investment reports from its investment advisor. The reports outlined the valuations of all investments held, monitored the performance of these investments and recorded transactions encountered during each period under review. Investment returns were compared with appropriate performance objectives. The asset allocation was also monitored and compared to the strategic asset allocation for each Section.

Within the monitoring reports, the Trustee also received an overview of each manager rating produced by the investment advisor's investment manager research team.

1c(v). Actuarial funding update

The Trustee monitored the funding level on an annual basis, considering the current funding level within the context of the long-term funding objective.

1c(vi). Cashflow monitoring

The Trustee's administration team at EQ monitored cash flow requirements of the Plan's sections on a regular basis. The Trustee disinvested from assets when required to fulfil pension obligations, with the support of the investment advisor. The Plan held sufficient cash buffers so that assets were readily accessible for cash flow purposes to minimise the need for disinvestments from assets. Cash buffers are on an ad-hoc basis.

1c(vii). Stewardship policy

The Trustee sets out, in its voting and engagement policy within the SIP, that it recognises the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies in which it invests. The Trustee acknowledges that ultimately this protects the financial interest of the Plan. As such, the Trustee expects its investment managers to carry out the Trustee's rights and duties as shareholders, including voting and engaging with underlying companies to promote good corporate governance, accountability and positive change where necessary.

The Trustee believes good management of companies should lead to more sustainable and predictable returns. The investment managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies. The Trustee has reviewed the voting policies of their investment managers and determined that these policies are appropriate. The Trustee monitors voting and engagement activity and will periodically review amendments to investment managers' policies. The investment manager's voting and engagement policies (and any amendments) were reviewed on the Trustee's behalf by the investment advisor as part of the production of this implementation statement.

When providing new investment mandates, the Trustee considered the investment managers' approach to voting and engagement. The investment advisor's investment manager research team assesses the engagement policies of investment managers as part of its fund rating review and the Trustee receives and reviews manager monitoring information on a quarterly basis that includes a score for management of Environmental, Social and Governance issues.

Further details relating to the voting and engagement behaviour of the investment managers are included in this statement.

1c(viii). Climate risk policy

The Trustee expects the active investment managers to consider all financially material factors, including climate change, in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.

During the Plan year the Trustee received a training session from its advisors on how and why climate change impacts pensions and the importance of integrating climate considerations into the investment decision making process.

The Plan has met the requirements as set out as part of the Taskforce 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. The requirements are oriented around four pillars that represent the core elements of how organisations operate. For pension scheme trustees, these are:

- Governance: disclose the trustees' governance around climate-related risks and opportunities;
- Strategy: disclose the actual and potential impacts of climate-related risks and opportunities on the pension scheme where such information is material;
- Risk management: disclose how the trustees identify, assess and manage climate-related risks and opportunities;
- Metrics and targets: disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Regulations came into force from 1 October 2021 and the Trustee prepared its first TCFD report in 2022 for the Trustee Report and Accounts covering the following disclosures:

- 1a. Describe the board's oversight of climate-related risks and opportunities;
- 1b. Describe management's role in assessing and managing climate-related risks and opportunities;
- 2a. Describe the climate-related risks and opportunities identified over the short, medium and long term;
- 2b. Describe the impact of climate related risks and opportunities
- 2c. Describe the resilience of the strategy taking into consideration different climate-related scenarios;
- 3a. Describe the process for identifying and assessing climate-related risks;
- 3b. Describe the process for managing climate-related risks;
- 3c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management;
- 4a. Disclose the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process;
- 4b. Disclose greenhouse gas emissions and the related risks;
- 4c. Describe the targets used to manage climate-related risks and opportunities and performance targets.

1c(ix). Arrangements with Investment Managers

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Plan's investment managers in whose funds it invests.

The Trustee regularly monitored the Plan's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which investment managers:

- Make decisions based on assessments about medium-to long-term financial and non-financial performance of an issuer of debt or equity; and

- Engage with issuers of debt or equity to improve their performance in the medium-to long-term.

The Trustee has received quarterly reports and updates from its investment advisor and reviewed engagement information on an annual basis.

1c(x). Monitoring Costs

The Trustee is aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by their investment managers that can increase the overall cost incurred by their investments.

The Trustee has collected annual cost transparency reports covering all of their investments in line with the appropriate Cost Transparency Initiative (CTI) template for each asset class. This allows the Trustee to understand exactly what they are paying their investment managers, and challenge where necessary.

2. Voting and engagement activity undertaken over the year

The following sections outline voting behaviour and stewardship information, including examples of significant votes cast, to illustrate engagement activity carried out by the Plan's pooled fund managers on the Trustee's behalf. There were no changes to voting policy during the Plan year.

There are a number of different criteria under which investment managers can determine whether a vote is significant. Each manager has their own criteria, with examples including:

- A vote where a significant proportion of the votes (e.g., more than 20%) went against the company management's proposal;
- A vote where the investment manager voted against a company management recommendation or against the recommendation of a third-party provider of proxy voting;
- A vote that is connected to a wider engagement initiative with the company involved;
- A vote that demonstrates clear and considered rationale;
- A vote that its client (the Trustee) considers inappropriate or based on inappropriate rationale;
- A vote that has significant relevance to members of the Plan.

The Trustee's definition of a significant vote is defined as one which the voting manager deems to be significant or a vote where more than 15% of votes were cast against management.

Having reviewed the commentary provided by the investment managers, the Trustee believes that the stewardship carried out on its behalf over the Plan year has been adequate, noting how the examples provided show the willingness and ability of the Plan's investment managers to take proactive votes against management where appropriate. The Trustee recognises that it has a responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Plan invests in. Accordingly, the Trustee continues to expect improvements over time in line with the increasing expectations on investment managers and its significant influence to generate positive outcomes for the Plan through considered voting and engagement.

2a. Voting and engagement activity – equity investments

Over the year, the material equity investments held by the Plan were:

Manager Name	Fund Name
Legal & General Investment Management (“LGIM”)	Future World Global Equity Funds
MFS Investment Management (“MFS”)	Global Equity Fund

The Plan disinvested from the MFS Global Equity Fund during the Plan year in September 2021.

2a(i). LGIM – Future World Global Equity Funds

Voting policy

LGIM uses proxy voting advisor Institutional Shareholder Services (“ISS”) to execute votes electronically and for research. LGIM also receives research from the Institutional Voting Information Service (“IVIS”). This augments LGIM’s own research and proprietary Environmental, Social and Governance (“ESG”) assessment tools. LGIM does not outsource any part of the voting decisions to ISS. LGIM has a custom voting policy in place with ISS. This seeks to uphold what LGIM considers to be best practice standards companies should observe. LGIM can override any voting decisions based on the voting policy if appropriate. For example, if engagements with the company have provided additional information.

The table below shows the voting statistics LGIM’s Future World Global Equity Fund for the period to 31 March 2022.

Number of resolutions eligible to vote on over the period	47,851
% of resolutions voted on for which the fund was eligible	100%
Of the resolutions on which the fund voted, % that were voted against management	17%
Of the resolutions on which the fund voted, % that were abstained from	1%

Source: LGIM

Voting example

In June 2021, LGIM voted against a resolution to elect the CEO of retailer Target Corporation to the role of chair of the company’s board as well. It is LGIM’s policy to advocate for the separation of CEO and board chair roles. LGIM believes these two roles to be substantially different, requiring distinct skills and experiences due to risk management and oversight. Further, LGIM expects a CEO or Non-Executive Director not to hold too many board positions to ensure they can undertake their duties effectively.

93.7% of shareholders voted in favour of the resolution. LGIM considered this vote to be significant because it is an example of how it applied and escalated its voting policy on the topic of combined board chair and CEO role.

Engagement policy

LGIM has a six-step approach to its investment stewardship engagement activities. These steps are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

LGIM monitors several ESG subjects and conducts engagement on various issues. Its top five engagement topics are climate change, remuneration, diversity, board composition and strategy. LGIM's engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients.

More information can be found in LGIM's engagement policy, which is publicly available.

Aon has engaged at length with LGIM regarding its lack of strategy level engagement reporting. LGIM has confirmed it is working towards producing this in the second half of 2022.

Engagement example – firm level

Over 2021, LGIM engaged with several companies on the topic of antimicrobial resistance. Antimicrobial resistance occurs when bacteria, viruses, fungi and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease. LGIM states that the overuse and inappropriate use of antimicrobials in human activities are often linked to antimicrobial agents getting into the ecosystem. Water sanitation systems have not been designed to address antimicrobial resistance.

LGIM reached out to 20 water utility companies through an open letter to understand if they were aware of the issue of antimicrobial resistance and if they plan to introduce monitoring systems to detect agents such as antibiotic-resistant bacteria. LGIM also had meetings with some of the companies and found that awareness of antimicrobial resistance was generally low. LGIM believed this was due to the lack of regulatory requirements and little perception of the potential business risks.

After these engagements, LGIM found several investee companies were considering their approach to antimicrobial resistance. One utility company sought to understand what happens to contaminants in its wastewater treatment process and implemented a programme to try to understand improvements it could make to its systems.

2a(ii). MFS - Global Equity Fund

Voting policy

MFS has an agreement with Institutional Shareholder Services ("ISS") to perform various proxy voting-related administrative services, such as vote processing and recordkeeping functions. It also receives research reports and vote recommendations from ISS and Glass Lewis. MFS analyses all proxy voting issues within the context of its proxy policies, which are developed internally and are independent of third-party proxy advisory firms. MFS' voting decisions are not defined by any proxy advisory firm's recommendations. MFS has due diligence procedures in place to help ensure that the research it receives from its proxy advisory firms is accurate and reasonably addresses any potentially material conflicts of interest of such proxy advisory firms.

MFS has been a signatory to the United Nations Principles for Responsible Investment since 2010.

The table below shows the voting statistics for MFS's Global Equity Fund for the period to 31 March 2022.

Number of resolutions eligible to vote on over the period	466
% of resolutions voted on for which the fund was eligible	100%
Of the resolutions on which the fund voted, % that were voted against management	11%
Of the resolutions on which the fund voted, % that were abstained from	0%

Source: MFS Investment Management

Voting example

In November 2021, MFS voted against the management's proposal of a software company to re-elect the members of the compensation committee. MFS voted this way because multiple years of low-level support for the executive compensation plan indicates that the compensation committee has demonstrated insufficient responsiveness to shareholder concerns. The proposal was passed. MFS

expects the compensation committee to engage with shareholders in order to understand their concerns and demonstrate accountability by making meaningful changes to the executive compensation program so that it better aligns with the expectations of shareholders.

Engagement policy

MFS' engagement activity is conducted on a firm-wide level. MFS' proxy voting team engages in a dialogue with a company or other stakeholders to enhance its understanding of certain matters that are of concern to shareholders, or regarding certain thematic topics for its proxy voting committee. Some of the issues MFS discusses with company management teams, board members and other company representatives include executive compensation, director accountability, and environmental, social and governance issues.

When engaging with companies, the proxy voting team aims to:

- explain the rationale behind their proxy votes;
- exchange views on relevant ESG issues; and
- potentially effect positive change with respect to such issues.

Engagement example

MFS provided a fund level engagement example with a British multinational aerospace and defence company in Q2 2021. MFS engaged with the company both individually and on a collective basis as part of the investor initiative Climate Action 100+. The conversations focussed on the company's efforts to reduce the climate impacts of air travel, with a focus on sustainable aviation fuels and alternative propulsion technologies.

Through the engagement, MFS learned about the company's progress on running large and small engines on sustainable aviation fuels. However, MFS expects the widespread use of sustainable fuels is likely to be constrained by regulation for some time. MFS's engagement team viewed positively the company's small modular nuclear reactor business where changes to the manufacturing process are expected to reduce the time to energy production and the higher costs associated with traditional reactor construction.

MFS fed back the findings from the engagement meetings with the company at its dedicated aviation sector team meeting on climate risks and opportunities in aviation.

2b. Engagement activity – fixed-income and property investments

Voting rights are not applicable to non-equity mandates. The Trustee recognises that stewardship may be less applicable or have a less tangible financial benefit for fixed income and property mandates compared to equity mandates. Nonetheless, the Trustee expects their non-equity managers to engage with external parties if they identify concerns that may be financially material.

Fixed income managers have significant capacity for engagement with issuers of debt. Debt financing is continuous, and so it is in debt issuers' interests to make sure that investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be limited in comparison to equities, the downside risk mitigation and credit quality are critical parts of investment decision-making.

Over the year, the material fixed income and property investments held by the Plan were:

Manager Name	Fund Name
LGIM	Investment Grade Corporate Bond Stock
	Index Linked Gilts
	Managed Property Fund
Barings	Global High Yield Credit Strategies Fund
	Global Loans Fund
Insight Investment Management ("Insight")	UK Corporate All Maturities Bond Fund

Pictet Asset Management Limited ("Pictet")	Dynamic Asset Allocation Fund
Threadneedle Asset Management Limited ("Threadneedle")	Threadneedle Property Unit Trust
Abrdn ("Abrdn")	Commercial Ground Rent
	Long lease Property

The Plan disinvested from the Pictet Absolute Return Fixed Income Fund in October 2021.

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

2b(i). Barings - Global High Yield Credit Strategies Fund & Global Loans Fund

Engagement policy

Barings' engagements involve interactions between the investor and current or potential investees on ESG issues. Engagements are undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure.

Through engagement, Barings aims to enhance the performance of its investments for the benefit of its clients. Barings does not, however, attempt to impose an inflexible approach that ignores local norms and contexts. Barings believes that value is derived from transparent communication with the entities in which it invests, coupled with the expertise and discretion of its experienced investment professionals. As Barings invests in multiple asset classes, when appropriate approaches to and priorities for engagements differ, it gives its investment teams the flexibility to choose when to engage with investments. This is supplemented with general top-down guidance and assistance.

Most engagements in 2021 were directly with issuers and companies in which Barings invests.

Engagement example

In Q4 2021, Barings engaged with a soft drinks manufacturer. Barings met with senior management of the soft drinks manufacturer to encourage the company to improve its supply chain monitoring regarding key imported food ingredients and to better promote recycling in its end markets and improve the mix of recycled materials in its production processes. During the initial engagement, the company was open to feedback and subsequently entered into a collaboration to produce Polyethylene Furanoate (PEF) bottles that are plant-based and recyclable and co-initiated an industry platform to improve transparency and traceability for sustainable juice products.

As a result of the company's involvement in the industry collaboration, Barings increased its internal ESG outlook rating to Improving.

2b(ii). Insight - UK Corporate Bonds

Engagement policy

Insight states within its responsible investment policy that it engages as a bondholder with management and other entities to discuss issues such as strategy, deployment of capital, performance, remuneration, risk management and ESG factors. Insight states that it approaches engagement whilst being conscious of wider factors such as portfolio positioning, materiality of issuance and company access.

Insight states that proactive engagement with companies is a key element of its stewardship policy to ensure accurate analysis and to influence companies to improve their practices. This engagement with issuers is a key part of Insight's credit analysis and monitoring, which aligns with Insight's approach to responsible investment. One of the key inputs into the ESG analysis is the direct information which Insight receives from companies via engagements that take place with them.

Engagement example

In Q3 2021, Insight engaged with the company British American Tobacco (“BAT”) about human and labour rights. Insight decided to engage with BAT because it rated BAT 3 out of 5 for its overall ESG rating and it scored below average in social and governance areas.

Insight engaged with the company twice during 2021 and overall was satisfied by BAT’s response. As a result of the engagement, the company set two targets. The first was for all BAT’s suppliers to have human right due diligence in place. The second target was for BAT to have at least 45% of leadership positions held by women. Insight will monitor BAT’s progress against the targets at future engagements.

2b(iii). Pictet - Absolute Return Fixed Income Fund

Engagement policy

Pictet engages with companies in relation to its fund holdings. Pictet has a tiered engagement approach as follows:

- Tier 1) Targeted engagement – This involves regular and ongoing dialogue with a company as Pictet seeks to become a strategic partner of the companies in which it invests.
- Tier 2) Collaborative engagement – Pictet takes part in collaborative engagement with other investors. Pictet recognises that there are occasions when it is better to act collectively rather than individually, particularly if Pictet’s investment is relatively small.
- Tier 3) Engagement service provider – The third tier of Pictet’s engagement is conducted by an external service provider. This engagement is designed to address issues that arise in relation to a company’s failings around governance issues and/or significant deviations from relevant international norms and standards, as well as human rights and environmental conventions.

For each engagement conducted, Pictet sets defined objectives for investee companies and tracks progress against these objectives. In some cases, if the objectives are not met, Pictet states that it may reduce or sell holdings.

Engagement example

Pictet engaged with Barclays Plc (“Barclays”) throughout 2021. The objective of this engagement was to ensure Barclays had whistle-blower policies in place (i.e., processes to enable individuals to report wrongdoings e.g., illegal or immoral behaviour at work) as mandated by regulators, as well as relevant international organisations and global banking industry best-practices.

Considering a recent whistle-blower case in 2018, Pictet believed Barclays should implement best practices regarding whistle-blower protections and procedures, ensure that whistle-blower bodies have the appropriate independence, and provide disclosures on the enforcement of whistle-blower policies.

The engagement with Barclays started in 2019 and has been led by Pictet’s service provider Sustainalytics. Sustainalytics engages with companies on behalf of its clients on ESG and other issues with the aim of achieving change with respect to risk management, value creation and reputation.

As a result of the engagement, Barclays has taken action to strengthen management of whistle-blower issues including appointing a board member to oversee whistle-blower protection, implementing a zero-tolerance policy to whistle-blower retaliation, and a targeted and collaborative approach to improving the company’s corporate culture.

2b(iv). Threadneedle - Property Unit Trust (“TPUT”)

Engagement

Threadneedle engages with stakeholders, such as companies or tenants, to gain deeper research insights, build relationships with companies and influence for change. It believes engagement enhances its own research and investments by detecting long-term trends and influencing companies' standards of ESG risk management and sustainability.

When deciding whether to engage, Threadneedle considers various factors including:

- The material significance of an issue to the tenant.
- The risk to its clients.
- The size of its holdings.
- Its opportunity to collaborate.
- Its ability to effect change.

Threadneedle sets clear objectives ahead of each engagement meeting and tracks these objectives on a regular basis. It shares the research and outcomes from its engagements globally across the firm.

Threadneedle provided several case studies to demonstrate its engagement with tenants. These examples were at a firm level, so may not necessarily be in relation to the fund invested in by the Plan.

Engagement example - firm level

In 2021, Threadneedle engaged with a large international oil and gas company regarding Climate Change. The objective of this engagement was to raise all investors' understanding and analysis of the impact of the transition to net zero on individual companies and on their sectors. The Responsible Investment team conducted the engagement via a video conference with the nominated directors and separately with management. As an outcome of this engagement, the company presented continued commitment to a carbon-first strategy in an increasingly low-carbon world.

2b(v). Abrdn - Commercial Ground Rent & Long Lease Property Fund

Engagement policy

Abrdn states that it engages fully with its stewardship responsibilities and regularly engages with the management companies of the properties in which they are invested.

In addition, Abrdn has recently launched the ESG Impact Dial programme, allowing investors to tailor ESG aspirations to their risk profile and target goals, and fully integrate the aspirations into real estate management. The programme starts with a default strategy of an absolute minimum policy – focussed on avoiding undue risk when managing a real estate asset. Abrdn states that tailoring would influence the assets it buys and how the assets are managed. The programme allows investors to choose their level for four 'forces for change', including environmental and climate, demographics, technology and infrastructure, governance and engagement.

Engagement example – firm level

At a firm level, Abrdn engaged with the management of NatWest in Q4 2021, with a specific focus on the company's sustainable finance target and financial emissions. Abrdn encouraged NatWest to increase the frequency of climate as a topic of discussion at board level from every six months to a standing agenda item. NatWest also touched on social initiatives during the engagement, and Abrdn were impressed by the bank's targets to support minority business owners with gender, ethnicity and social targets.

2c. Voting and engagement activity – private markets (equity and debt)

The Plan invests in several private equity strategies and acknowledges the ability to engage and influence companies may be less relevant than for public holdings, more so if a vehicle is in the later stages of its investment lifecycle. The Trustee recognises that the investment processes and often illiquid nature of the alternative investments may mean that stewardship is potentially less applicable or may have a less tangible financial benefit than with other asset classes. Nonetheless, the Trustee expects that all their managers should open a dialogue to engage with issuers/companies they invest in should they identify concerns that may be financially material.

All the private market managers are either PRI signatories or adopt guidelines from the PRI and the Trustee is comfortable that all managers continue to consider financially material ESG factors in their due diligence processes and make reasonable efforts to encourage their portfolio companies to consider relevant ESG-related principles and to support their implementation.

For example, over the year, the Plan continued to allocate capital to investments managed by Partners Group. For every engagement, Partners Group discuss its commitment to ESG and ambition for the company with company management teams. It considers the ESG topics most relevant to the company or asset's business and stakeholders, identifies key ESG improvement opportunities, and defines the vision and strategy for the company or asset's ESG engagement with Partners Group.

Partners Group set clear expectations with newly-acquired assets through a standard ESG onboarding process. This results in tailored ESG engagements across its direct investment portfolio. Collectively, these engagements mean that Partners Group have over 100 ongoing ESG value creation projects across private equity, private real estate and private infrastructure at present.

3. Conclusion

The Trustee recognises that it has a responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Plan invests in.

In respect to stewardship and engagement, the Trustee believes good management of companies should lead to more sustainable and predictable returns. The Trustee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

The Trustee has reviewed the voting and engagement policies of their investment managers and determined that these policies are appropriate. However, the Trustee notes that not all investment managers were able to provide comprehensive voting data for the period. The Trustee expects this to improve over time.

Having reviewed the commentary provided by the investment managers, the Trustee believes that the stewardship carried out on its behalf over the Plan year has been adequate, noting how the examples provided show the willingness and ability of the Plan's investment managers to take proactive votes against management where appropriate.

Finally, the Trustee recognises that engagement and stewardship is more applicable to specific asset classes and less applicable to others. For example, equity managers can influence positive change through voting. Nonetheless, the Trustee expects all their managers to engage with external parties if they identify concerns that may be financially material, as far as possible.