Unipres – year to 31 December 2021

Implementation Statement

Overview

The Trustees of the Unipres (UK) Limited Pension and Life Assurance Scheme (the "Trustees" and the "Scheme" respectively) have prepared this implementation statement in compliance with the governance standards introduced under The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

Its purpose is to demonstrate how the Scheme has followed the policy on voting, stewardship and engagement as set out in the Scheme's Statement of Investment Principles (SIP), dated September 2021. This statement covers the period 1 January 2021 to 31 December 2021.

The Scheme's assets are held in pooled investment funds (via the Mobius Life investment platform) and the day-to-day management of these investments (including the responsibility for voting and engaging with companies) is delegated to the fund managers of the pooled investment funds (the "Fund Managers").

The fund managers of the pooled investment funds are Lindsell Train Limited (Lindsell Train), Baillie Gifford & Co Limited (Baillie Gifford), Capital International Management Company Sàrl (Capital Group), Ruffer LLP (Ruffer), BNY Mellon Investment Management Limited (BNYM), M&G Investments (M&G) Aviva Investors Jersey Unit Trusts Management Limited (Aviva) and BMO Global Asset Management (BMO).

As Trustees of the Scheme's assets, we are responsible for the selection and retention of the funds. Analysing the voting and engagement activities, which we include details on below, is a useful exercise to help us ensure they remain appropriate and are consistent with the managers' stated policies in this regard.

We are satisfied with the voting and engagement activities of the Fund Managers, and in particular, that they are using their position as stakeholder to engage constructively with investee companies. However, we will engage with the Fund Managers should we have any concerns about the voting and/or engagement activities carried out on our behalf.

The Trustees had no cause to challenge the Fund Managers' voting and/or engagement activities during the year to 31 December 2021.

Changes to investment strategy

In March 2021 the Scheme's holdings in the Aviva Lime Property Fund were novated onto the Mobius Life investment platform. From that date onwards all of the Scheme's invested assets are held on the Mobius Life investment platform.

During September 2021 the Trustees reviewed and implemented a new investment strategy which reduced investment risk whilst maintaining the overall expected investment return. The new strategic asset allocations for the different asset classes are detailed within the SIP dated September 2021. The changes to the investment strategy were based on advice received from the appointed investment consultant.

Voting and engagement

Details on voting and engagement activities provided by Lindsell Train, Baillie Gifford, Capital Group, Ruffer, BNYM, M&G, Aviva and BMO are set out below. In order to produce this statement we have asked all of the Fund Managers some questions on their policies, actions and examples relating to their voting and engagement activities. We have then reviewed these and summarised their responses for the purposes of this statement.

Lindsell Train, Baillie Gifford, Capital Group and Ruffer have provided information relating to the Global Equity Fund, Global Alpha Growth Fund, Emerging Markets Total Opportunities Fund and the Absolute Return Fund as these funds hold equities for which the fund managers have voting rights.

The BNYM Global Dynamic Bond fund, Alcentra Global Multi-Strategy Credit fund and the M&G Total Return Credit Fund do not hold equities and given that bonds do not confer voting rights, there was no voting carried out in relation to these funds. However, BNYM & M&G do undertake engagement activities in respect of its bond holdings and we have included an example below.

The Aviva Lime Property fund does not hold equities and given that property holdings do not confer voting rights, there was no voting carried out in relation to these funds. However, Aviva undertake engagement activities in respect of its property holdings and we have included examples below.

The BMO Dynamic LDI Funds do not hold equities and given that these investments do not confer voting rights, there was no voting carried out in relation to these funds. However, BMO does undertake engagement activities with counterparty banks on relevant issues, where applicable.

Lindsell Train's voting and engagement activities

The following information is based on the responses Lindsell Train have provided in response to our questions and provides an explanation as to how they co-ordinate their voting and engagement activities with companies.

The primary voting policy of Lindsell Train is to protect or enhance the economic value of its investments on behalf of its clients.   Lindsell Train's Portfolio Managers are responsible for proxy voting decisions and it is their policy to exercise all voting rights. Proxy voting decisions are the result of careful judgement in order to ensure the best possible outcome to generate long-term shareholder value. The 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.

Lindsell Train Global Equity Fund

Lindsell Train participated in all of the 365 available votes for the companies they invest in. Votes for: 98%, Against 1%, Abstained: <1%.

Lindsell Train identified their votes against remuneration policies as their most significant votes. There were four votes against during the year, namely Intuit, eBay, PayPal and Disney, for which the manager provided the following comments:

> **INTUIT, EBAY, PAYPAL & DISNEY**
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> *In all four cases where we have voted against management it has been on matters relating to remuneration. Lindsell Train pays careful consideration to the compensation policies of the companies in which we invest and we write to management, as a first step, if we do not agree with their policy. In assessing their compensation policies we focus more on how incentives are structured than the actual quantum of compensation. In other words we can be comfortable with large rewards provided that the incentives are aligned with shareholders' interests and our principles. Where we do not believe that a company's compensation policy is aligned with the long term best interests of the shareholders we will write to management to inform them of our intention to vote against such policies.*

Baillie Gifford – voting and engagement activities

The following is based on the information that Baillie Gifford have provided in response to our questions and provides an illustration as to how they co-ordinate their voting and engagement activities with companies.

"Baillie Gifford believe voting within their clients' holdings is an integral part of their commitment to stewardship. We believe that voting should be investment led, because how we vote is an important part of the long-term investment process, which is why our strong preference is to be given this responsibility by our clients. Our ability to vote our clients' shares also strengthens our position when engaging with investee companies.

All voting decisions are made by our Governance & Sustainability team in conjunction with investment managers. We do not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then we will engage with them on this. If a vote is particularly contentious, we may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

Our Governance and Sustainability team oversees our voting analysis and execution in conjunction with our investment managers. Unlike many of our peers, we do not outsource any part of the responsibility for voting to third-party suppliers. We 3ogniza research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with our Governance & Sustainability Principles and Guidelines and we endeavour to vote every one of our clients' holdings in all markets.

Whilst we are 3ognizant of proxy advisers' voting recommendations (ISS and Glass Lewis), we do not delegate or outsource any of our stewardship activities or follow or rely upon their recommendations when deciding how to vote on our clients' shares. All client voting decisions are made in-house. We vote in line with our in-house policy and not with the proxy voting providers' policies. We also have specialist proxy advisors in the Chinese and Indian markets to provide us with more nuanced market specific information."

Baillie Gifford Global Alpha Growth Fund

Baillie Gifford were eligible to vote on 1,337 resolutions. Votes: For 93%, Against 2%, Abstained: 1%.

Baillie Gifford provided the following examples in response to our request to provide details of their most significant votes:

1. **DEUTSCHE BOERSE AG**

   Date: 19/05/2021

   Resolution: Election of the chair of the risk committee

   Vote: Against

   "We opposed the election of the chair of the risk committee. Subsequent to Mr Gottschling being put forward for re-election, he had to stand down from a similar position at another company due to ongoing investigations regarding their risk practices. Whilst no evidence of wrong doing has been found against Mr Gottschling specifically, the ongoing investigations at another company has led to us feeling unable to support his re-election to the same position at Deutsche Boerse at this time.

   We informed the company of our voting action and explained our concerns. While this resolution passed at the AGM, we intend to raise the issue again with the company and will continue to monitor the situation."

2. **PING AN INSURANCE (GROUP) COMPANY OF CHINA LTD**

   Date: 25/03/2021

   Resolution: Elect Director(s)

   Vote: Against

   "We opposed the re-election of a non-executive director as he is a shareholder representative and sits on the Audit Committee, which should be comprised entirely of independent directors.

   We feel it is important for the audit committee to be fully independent as we believe it prevents insiders from influencing the work and oversight of the committee and the work of the external auditors. We will continue to monitor progress."

Below is an example of where Baillie Gifford have engaged with the management of the companies in which they invest:

CARVANA CO.

"In the wake of our Q2 discussions with the founder, we met with Mike Levin of the IR team to begin a more direct conversation around Carvana's climate-related thinking and reporting.

As a disruptor of the US second-hand car market, Carvana's interaction with the trends of the energy transition are multi-faceted, but, so far, it has no public disclosure or commentary on the issues. There is opportunity in the extension of vehicle lives and, potentially, in acting as a sales *channel for original equipment (automotive component) manufacturers (OEMs) retreating from the dealership footprint. But there is also risk if old combustion engine cars see sudden value loss due to dislocating policy or technology change.*

We'd like to see Carvana understand and report its carbon footprint (direct emissions and those inherent in the cars it trades), but also explore its handprint - its options for system influence. This could be as simple as the provision of fuel efficiency data for buyers, or as complex as the academic research we need on life-cycle efficiency: is it more carbon efficient to scrap early and go electric, or better to wring the last drop of life from the current fleet before building new? There are many interesting issues to debate here as Carvana shakes this old-fashioned market, and we look forward to continuing the discussions."

Capital Group - voting and engagement activities

The following is based on the information that Capital have provided in response to our questions and provides an illustration as to how they co-ordinate their voting and engagement activities with companies.

"Capital Group do not follow proxy advisors' recommendations. Each proxy ballot is reviewed by the Governance and Proxy (GAP) team at Capital Group who facilitate the proxy voting process. They rely primarily on their own proprietary research in evaluating companies although, to provide supplementary analysis of resolutions at shareholder meetings, they will often review proxy research from third party vendors.

We prefer to engage with companies privately – given our size, fundamental research-based approach to investing and global footprint, we find that constructive engagement is most effective when we directly tackle key issues with companies and their boards.

We typically collaborate with other asset managers through our industry memberships on initiatives to improve the framework for universal investors. For example, the UK Investor Forum – which we are founding members of – helps collective engagement. Through such organisations, we can have a collective impact in certain situations where we believe this will achieve better outcomes for our clients."

Capital Group Emerging Markets Total Opportunities Fund

Capital Group participated in all of the available votes for the companies they invest in. Votes for: 87%, Against 9%, Abstained: 4%

Capital Group provided the following examples in response to our request to provide details of their most significant votes:

1. **CARLSBERG A/S**

   Date: 15/03/2021

   Resolution: Re-elect Flemming Besenbacher as Director

   Vote: Against

Capital Group voted against management because there was a lack of gender diversity on the Board.

2. **THE BOEING COMPANY**

   Date: 20/04/2021

   Resolution: Provide Right to Act by Written Consent

   Vote: For

   Capital Group voted with management as the ability to act by written consent is in the interest of minority shareholders.

3. **APPLE INC**

   Date: 23/02/2021

   Resolution: Advisory Vote to Ratify Named Executive Officers' Compensation

   Vote: Against

   Capital Group voted against management because they believed the Executive compensation was too generous.

Below is an example of where Capital Group have engaged with the management of the companies in which they invest:

BRASKEM SA: Engaging on corruption and geological damage

"Braskem was indirectly implicated, via its parent company Odebrecht SA, in Brazil's anti-corruption investigations known as "Lava Jato", or "Operation Carwash", which exposed some corporate governance shortcomings.

Fixed income investment analyst Sarah Leshner Carvalho had frequent and ongoing conversations with Braskem's management team about corporate governance – and specifically the wrongdoings uncovered in the Lava Jato investigation.

Our fixed income business had no exposure to the company until 2019 and evidence of governance improvement was key to Sarah's work prior to investing. Measures taken by Braskem included replacing and strengthening the board, introducing a compliance committee and training staff and board members.

In addition to its corporate governance shortcomings, Braskem was alleged to have caused environmental damage in the state of Alagoas, where it operated salt mines. Capital Group engaged with the company, alongside other stakeholders, to raise awareness of the financial implications. Following discussions, Braskem pledged a significant sum over two years to relocate 1,500 people, to close the salt wells and create a protection area.

Sarah stated that only through regular engagement with Braskem's management team and interactions with other stakeholders did she gain comfort regarding both the governance issues that surfaced during the Lava Jato scandal and the environmental risk in Alagoas."

Ruffer's voting and engagement activities

The following information is based on the responses Ruffer have provided in response to our questions and provides an explanation as to how they co-ordinate their voting and engagement activities with companies.

Ruffer Absolute Return Fund

Ruffer were eligible to vote in 1,074 resolutions. They cast 1,040 votes in total. The number of votes for/against/abstained were 948, 72 and 13, respectively. Ruffer use ISS to provide proxy voting services. The number of votes cast in agreement with ISS was 960, with 82 not in agreement.

Ruffer provided the following examples in response to our request to provide details of their most significant votes:

1. **EXXONMOBIL**

   ExxonMobil is a multinational oil and gas company with upstream, downstream and chemicals business. The company is headquartered in the US.

   Date – May 2020.

   Due to the limited progress since the 2019 AGM, we decided again to vote against the re-election of all non-executive directors because we do not think they have been representing the best interests of shareholders owing to the slow progress of the engagement with the Climate Action 100+ initiative. We also supported shareholder resolutions for an independent board Chair and further disclosure of the company's lobbying activities.

   Outcome – *Non-executives re-elected with 83%-98% approval. Disclosure and lobbying resolution was not passed with 62% against. Independent Chair resolution failed with 67% of votes against.*

2. **WALT DISNEY**

   Walt Disney is a worldwide entertainment and media company. It was founded in the 1920s as a cartoon studio.

   Date – March 2020.

   We have discussed the topic of lobbying and the company's memberships of trade associations extensively with the company, and we voted for a shareholder resolution in 2018 and 2019 requesting additional disclosure. While the company has responded to these resolutions by increasing its disclosure, this only includes trade associations based in the US. As the framework has been established, and the analysis already conducted for these associations, we do not think *it is onerous for the company to expand this to cover all trade associations of which it is a member. We stated this clearly to the company and supported the shareholder resolution in 2020.*

Outcome – *Lobbying and disclosure resolution failed with 66% of votes against.*

3. **LLOYDS BANKING GROUP**

Lloyds Banking Group is a UK-based financial services group.

Date – May 2020.

We decided to vote against the proposed remuneration policy at the company as although it reduces the maximum pay-out at the time of the grant, it significantly relaxes the vesting criteria. Therefore, we did not think it incentivises management to deliver shareholder value.

Outcome - *Remuneration policy passed with 64% approval. Long term share plan passed with 64 % approval.*

BNYM engagement activities

The following information is based on the responses BNYM have provided to our questions on voting and engagement and provides an explanation as to how they co-ordinate their voting and engagement activities with companies. Newton is a subsidiary of BNYM and the entity that manages the Global Dynamic Bond Fund. Alcentra is a subsidiary of BNYM and the entity that manages the Global Multi-Strategy Credit Fund.

We believe the value of our clients' portfolios can be enhanced by the application of good stewardship. This is achieved by engagement with investee companies and through the considered exercise of voting rights. Our understanding of a company's fundamental business enables us to assess the appropriate balance between the strict application of corporate governance policies and taking into account a company's unique situation.

We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company's individual circumstances, our investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. For the avoidance of doubt, all voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence. It is also only in these circumstances when we may register an abstention given our stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures we do not provide confusing messages to companies.

Voting decisions take into account local market best practice, rules and regulations while also supporting our investment rationale. For example, when voting on the election of directors in Japan, we are unlikely to vote against a board chair should the board not be majority independent given that only recently the *corporate governance code has recommended boards appoint independent directors. However, in the UK, where majority independent boards are well established and expected by investors, we are likely to vote against the chair and non-independent directors. This being said, we frequently vote against executive pay at US companies despite it being accepted US market practice of granting significant awards of free shares, as we believe executive pay should be aligned with performance.*

Alcentra Global Multi-Strategy Credit Fund

The fund does not hold equities and therefore does not have the same voting rights as some other funds. However, Alcentra's engagement activities are undertaken for all the companies that they hold and so they also engage with the companies whose bonds are held in this fund. Alcentra were unable to provide examples.

BNYM Global Dynamic Bond Fund

The fund does not hold equities and therefore does not have the same voting rights as some other funds. However, Newton's engagement activities are undertaken for all the companies that they hold and so they also engage with the companies whose bonds are held in this fund, for example:

1. **ICELAND**

   Health and nutrition:

   We wrote to three of our invested companies as part of a collaborative engagement initiative with ShareAction's Healthy Markets campaign. The campaign aims to engage with food retailers and manufacturers to improve the health and nutrition of product portfolios, and to create a healthier food environment. The letters include specific requests for each company, tailored to the risks to which they are most exposed. All letters encourage the companies to engage with the campaign and underlying investors on the topic of health and nutrition. We look forward to receiving acknowledgement of these letters, and to beginning this dialogue. We joined a call with the CFO to discuss corporate governance and to continue our previous conversations regarding sustainability initiatives.

   Board effectiveness:

   Concerns surrounding the structure of the board and lack of independent directors were cited. We explained that the board, company and investors would benefit from the appointment of independent directors that bring additional skills, greater diversity and willingness to challenge management.

   Sustainability:

   The company stated that 'doing the right thing' is part of its culture and, as a family business, it feels strongly about such work. For example, the company was one of the first food retailers to introduce an 'elderly hour' for shopping, and to ban non-essential artificial flavourings and MSG from its products. These are helping to create a positive brand image. We also discussed health and nutrition. The company explained that frozen food is a good way to freeze in goodness – lots of its products are healthy and nutritious (e.g. fish, fruit and vegetables). Moreover, the perception that the company only sells unhealthy, processed ready meals is slowly changing. Significant opportunities were discussed in relation to plant-based foods. In terms of labelling on packaging, the consensus is that traffic-light labelling is best in class. The company is the only UK *food retailer not to use this. We recently used our collaboration with ShareAction on its Healthy Market's Campaign, which aims to address childhood obesity and improved pack labelling, to push Iceland to address this. We see health and nutrition posing material risks and opportunities to food retailers, particularly as global regulations increase and consumer demand shifts.*

2. **AMS**

   Clean technology:

   In a meeting with the company's management, we sought to encourage disclosures related to the incorporation of clean technology solutions into the manufacture of the company's sensors. The company explained that it has improved the energy consumption of its sensors but has not robustly quantified their performance. We suggested that the company enhances its disclosures in relation to the energy consumption of its products.

M&G - engagement activities

The following is based on the information that M&G have provided in response to our questions and provides an illustration as to how they co-ordinate their engagement activities with companies.

"Across all of our assets classes, M&G believes that ESG factors can have a material impact on long-term investment outcomes. Our goal is to achieve the best possible risk-adjusted returns for our clients, taking into account all factors that influence investment performance.

Alongside engagement with investee companies, active voting is an integral part of our investment approach. We believe exercising our vote adds value and protects the interests of our clients as shareholders. We often get asked by clients how we carry out our voting, as a number of asset managers just follow their proxy agents advice. We use the ISS voting platform to vote and we have built, with ISS, a custom voting service that reflects our public voting policy.

Given the limited upside and potential downside of fixed income investments, the focus of our ESG analysis is on understanding downside risks. Since ESG risks often develop over the longer term, and given our long-term investment approach, we believe it is essential to integrate ESG issues into our investment process. Our integrated approach to ESG is applied across all forms of fixed income including corporate bonds, government bonds, securitised debt, real estate debt, infrastructure debt, leveraged finance, direct lending and private placements.

Engagement with issuers is usually undertaken by our credit analyst team, with support when needed from the Corporate Finance and Stewardship team, since they have a clear and detailed understanding of the ESG issues affecting the credit quality of the issuers that they cover. Although bond holders normally have less influence than equity holders when engaging with companies, M&G considers it important to engage with fixed income issuers regarding material ESG issues in order to gain better understanding of ESG risks, and to encourage improved ESG practices.

The additional insight often gained through ESG engagement also better informs our credit views and investment decisions. We prefer to engage on ESG issues directly with an issuer's senior management, and M&G's significant scale in fixed income markets provides us with necessary access to an issuer's *senior management in order to do so. In our private debt business, we are often one of the primary sources of finance for the borrower, which can give us significant access and influence to engage."*

M&G Total Return Credit Fund

The fund does not hold equities and therefore does not have the same voting rights as some other funds. However, M&G's engagement activities are undertaken for all the companies that they hold and so they also engage with the companies whose bonds are held in this fund. M&G were unable to provide examples.

Aviva Investors Jersey Unit Trusts Management Ltd engagement activities

The following information is based on the responses Aviva Jersey have provided in response to our questions and provides an explanation as to how they co-ordinate their voting and engagement activities with companies.

As an asset manager, Aviva Investors Real Assets ("AIRA") fiduciary duty is to protect and maintain the value of assets. AIRA recognises its duty to act as responsible stewards of its clients' assets. Consistent with its fiduciary and stewardship obligations, AIRA maintains a deep conviction that Responsible Investment including Environmental, Social and Governance (ESG) factors can have a material impact on investment returns and client outcomes.

Examples of where ESG is embedded in our investment policies are:

- *Selection process. We require our originators to identify potential risks and opportunities associated with a potential investment in accordance by examining each asset's environmental, social, economic and governance context, as well as its physical characteristics, use and occupation. These attributes must be identified at the earliest opportunity when considering potential new investments, and during portfolio reviews.*
- *Risks: At the time of investment, the use of the buildings and the activities undertaken by the tenants (and sub-tenants to the extent known) will be reviewed against the Exclusions, "Higher Risk Activities" and "Higher Risk Practices" under the AIRA Responsible Investment Policy.*
- *GRI escalation: When considering a new investment proposal, advice may be sought from the GRI team. All "Higher Risk Activities" and "Higher Risk Practices" will be referred to the GRI team for enhanced due diligence.*
- *Standards: For new developments, the Fund targets the sustainability assessment BREEAM 'Very good' rating or better.*
- *Global Investment Committee consideration: All recommendations to the Aviva Investors Global Indirect Real Estate (GIRE) Global Investment Committee must contain a review of ESG factors regarding the transaction.*
- *Annual GRESB Survey: The Fund reports to GRESB on an annual basis which allows us to understand the sustainability of individual properties and the Fund.*
- *Monitoring: We monitor energy usage of assets that we directly manage.*
- *Reporting and targets: We engage third party Responsible Investment expertise to support the development of an operational Responsible Investment program, apply best practice thinking*

and collect Responsible Investment data at an asset level which contributes to the voluntary Global Real Estate Sustainability Benchmark (GRESB) and reporting on portfolio performance to our clients. EPCs and BREEAM ratings are also factored into the investment process.

Aviva Lime Property Fund

The Aviva Lime Property Fund's investment strategy is to acquire quality assets for the long term, and for this reason a good understanding of the ESG risks and opportunities in an asset acquisition is key. Aviva make sure their investment decisions are as future proofed as possible, and ESG factors provide a valuable lens for doing so.

The Fund is focused on long leases, with mainly single tenanted buildings. Long lease funds and any fund with many single tenanted assets will have additional challenges in engaging with tenants to improve ESG factors, when compared with assets which have a lot of directly managed assets.

In recognition of this, the Fund's investment team is working with its sustainability partner, Carbon Credentials, who have launched a customer engagement programme for the portfolio with the aim of improving the sustainability performance as well improving overall customer satisfaction. Collaboration with our occupier customers can lead to a more joined-up approach on ESG issues. The Fund has many large organisations occupying one or more of our buildings; organisations such as Premier Inn, University of Bath and Sainsbury's who all have well developed Sustainability and ESG programmes of their own and this makes for a good opportunity to collaborate.

Below is an example of where the Aviva Lime Property Fund has engaged with one of their tenants:

ANCHOR HANOVER HOUSING ASSOCIATION

"Discussions with the Anchor Hanover housing association highlighted the possibility to improve the energy efficiency of their buildings, through accelerating LED rollout and all new assets achieving an EPC of High B. Improving the energy efficiency of these buildings contributes to reducing running costs. This in turn would allow Anchor Hanover to match the socioeconomic needs of their customers whilst reducing emissions. These insights are also key to defining ways to collaborate on energy efficiency projects to benefit our tenants. Enhancing occupiers' experience creates value for our assets and our investors."

BMO - engagement activities

The following is based on the information that BMO have provided in response to our questions and provides an illustration as to how they co-ordinate their engagement activities with companies. These examples provide evidence that the Fund Manager is engaging actively with the companies they invest in on behalf of the Scheme.

'We take responsible investment seriously. The identification of financially material environmental, social and governance (ESG) issues forms part of our investment process, helping us to manage risk and support long-term returns. Beyond the management of opportunity and risk, we also see responsible

investing and broader investment stewardship activities as part of our duty as an investor acting in the best interest of our clients, and as a participant in the global financial system.

Our approach is aligned with the core values and beliefs of the wider BMO Financial Group, and draws on national and international codes and standards for responsible investment and ownership, including the United Nations Principles for Responsible Investment, to which we are a founder signatory.

LDI portfolios are very different to traditional equity or bond portfolios and so our engagement programme primarily focuses on trading counterparties and clearing members. This engagement work is structured both in terms of prioritisation (both in terms of companies to whom we have the greatest exposure and to companies whom we feel have the greatest ESG deficiencies) and in terms of progress monitoring against predefined milestones.'

BMO Dynamic LDI Funds

These funds contain investments that provide exposure to long dated interest rates / inflation. They do not hold any physical equity investments and are therefore not eligible to vote. However, BMO does still engage with counterparty banks on relevant issues. They have provided the following examples:

> ***DEUTSCHE BANK AG***
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> *"Committed to decarbonize its credit and investment portfolios by 2050, or earlier, according to scientific scenarios and targets of the Paris Climate Agreement. Joining the Net-Zero Banking Alliance also shows clear climate leadership. We have engaged the company on their environmental and climate risk management practices for their lending portfolio in the past."*
>
> ***BANCO SANTANDER SA***
>
> *"Committed to achieve net-zero greenhouse gas financed emissions by 2050, and to align its power generation portfolio with the Paris Agreement by 2030. As part of this commitment, Santander will also develop and publish decarbonisation targets for other material sectors, including oil & gas, transport and mining & metals. The implementation of these commitments will enhance the bank's response to climate change risks in its lending, advisory and investment activities."*