Implementation Statement

Unipres – year to 31 December 2022

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 June 2022. This statement covers the period 1 January 2022 to 31 December 2022.

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").

Following the acquisition of BMO's EMEA Asset Management business by Columbia Threadneedle in 2021, as of 1 July 2022 the enlarged business operates under the Columbia Threadneedle Investments brand.

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 Columbia Threadneedle Investments (CT).

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 2022.

Changes to investment strategy

In June 2022 the Trustees refined the investment strategy and implemented the following changes:

- To increase the allocation to the CT Credit-Linked Real Dynamic LDI Fund in order to target an interest rate hedge ratio of 85% of Technical Provisions by reducing the allocations to the BNYM and M&G fund by c. £3m each.

- To rebalance the M&G Total Return Credit Fund and BNYM Global Dynamic Bond Fund to target equal allocations to each fund.

All of the changes to the investment strategy detailed above 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 CT 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 CT 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, CT 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 324 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 Walt Disney and Intuit, for which the manager provided the following comments:

WALT DISNEY & INDUIT

During both 2020 and 2021 we escalated our engagement relating to matters of remuneration. We wrote to the management outlining our reasons for voting against the resolutions concerning compensation at their 2020 and 2021 AGMs. We have engaged with the company on a number of occasions to share our views regarding compensation best practice and continue to believe that Disney and Intuit could foster greater shareholder alignment through improved compensation structures.

Vote: Against

Outcome: Approved

We continue to engage with both companies on this matter, and we engaged with both before the vote to signal our intention to vote against.

Baillie Gifford – voting and engagement activities

The following commentary is based on the information that Baillie Gifford have provided in response to our questions and illustrates 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 use 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 aware 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 1,116 resolutions. There were 137 engagements over the year in relation to this fund.

The Trustees have reviewed Baillie Gifford's voting activity and have noted in particular the following vote for this fund:

1. **BOOKING HOLDINGS INC.**

Date: 09/06/2022

"We engaged with the company in advance of the AGM, specifically discussing executive compensation. We outlined our concerns that the adjustments to executive pay and the special payments do not align with shareholders' experience or provide appropriate incentives for management. Following that engagement we decided to oppose the executive compensation resolution and communicated our decision to the company. We intend to re-engage with the company to learn how it intends to respond to the vote outcome and shareholders' concerns."

2. **TESLA, INC.**

Date: 04/08/2022

"We continued to support this proposal after supporting at the 2020 and 2021 AGMs. Our discussions with Tesla have clarified that the company does not require mandatory arbitration nor does it require outcomes of arbitration or litigation to remain confidential, however it does encourage employees to arbitrate. While a standalone report may not be necessary we continue to think increased transparency would help us better understand the company's use of the practice and any implications for workplace practices and culture. Following the submission of our votes we reiterated our position and encouraged improved transparency on these issues."

The Trustees have reviewed Baillie Gifford's engagement activity and have noted in particular the following example for this fund:

ALBEMARLE CORPORATION

Date: 12/10/2022

"Objective: We were invited to speak with Albemarle's chief financial officer, vice president of sustainability and the wider team as part of the company's 2022 Shareholder Governance Outreach. The call gave us the opportunity for an update on the company's progress regarding sustainability since our previous meeting with senior management in May. Specifically, we hoped for an update on the company's Initiative Responsible Mining Assurance (IRMA) third-party certification in its La Negra site and to encourage the company to roll its assessment framework out to other operational sites. We also wanted to encourage the company to set scope 3 emissions reduction targets, building on the publication of its first estimates in 2022's sustainability report. Finally, we wanted clarification on how the recent restructuring of its business divisions might affect how its sustainability performance is accounted for and reported and for further detail on the company's investments to grow its lithium business in a carbon-intensity neutral manner.

Discussion: Regarding the company's IRMA assessments, it was encouraging to hear that the company had already started assessments at two further operational sites beyond La Negra. Furthermore, as its King's Mountain site becomes operational, the company intends to use its learnings to target IRMA 100 - the highest level of certification.

Given the recent conclusion of Albemarle's strategic review of its Catalysts business, the company is currently in the process of reviewing and updating new goals for each new business division. Its Catalyst division will essentially operate as a subsidiary, and its footprint will be accounted for as part of Albemarle's footprint. We encouraged the company to ensure any recalibrated or bucketed targets maintained the same level of ambition regarding emissions reductions. On the setting of scope 3 emissions reduction targets, we were pleased to hear that the company intends to set these *and implement a responsible sourcing strategy, with a secondary focus on human rights, to help achieve them.*

With regards to the company's lithium carbon-intensity neutral growth ambition, the primary levers it is pulling are purchasing renewable power (reducing its scope 2 footprint by a third) and efficiency gains identified through Artificial Intelligence data insights. The company is also exploring renewable Purchasing Power Agreements and own power generation, as well as engaging in industry-wide collaborations in clean tech.

Given the large-scale capital expenditures required for many of the initiatives listed above, we sought to understand how Albemarle incorporated these into financial planning. The company acknowledged that two or so years ago, its processes were much less mature here than they are now. ESG-related investments are now factored into both near-term and long-term financial planning. As a result, we were encouraged to hear that Albemarle could not envisage a scenario where its dividend would be touched due to a need to sufficiently invest in environmental initiatives due to the company's confidence in both the economic and environmental benefits of these investments.

Outcome: The company's prioritisation of sustainability since our first engagement several years ago, we believe, is noteworthy. We are encouraged by the company's efforts, believing its investments in good sustainability performance bolster the investment case as the company increasingly positions itself as the most responsible lithium producer in the market. We believe these efforts contribute to Albemarle being a more attractive partner for many of its customers, namely automotive original equipment manufacturers (OEMs). As a next step, we intend to follow up with the company to learn more about its efforts to manage its impacts on the hydrology of the Salar de Atacama."

Capital Group - voting and engagement activities

The following commentary is based on the information that Capital Group have provided in response to our questions and illustrates 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 91%, Against 5%, Abstained 4%. There were 36 engagements over the year in relation to this fund.

The Trustees have reviewed Capital Group's voting activity and have noted in particular the following vote for this fund:

ENN Energy Holdings Limited
Date: 18/05/2022

Resolution: Adopt new share option scheme

Vote: Against

Stock option grants to outside directors are in conflict with their role as shareholder representatives

The Trustees have reviewed Capital Group's engagement activity and have noted in particular the following example for this fund:

BRASKEM SA

"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 1,329 resolutions. The number of votes for/against/abstained were 1,280, 49 and 1, respectively. Ruffer use ISS to provide proxy voting services.

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

1. **AENA**

   Aena is an airport service management company . The company is headquartered in Spain.

   Date – March 2022.

   We voted against the re-election of Maurici Lucena Betriu as Director. ISS recommended that we vote against the CEO/Chairman's re-election as Aena has not split the CEO and Chairman roles and does not have a plan to do so. The company's bylaws currently dictate a single person should be *both CEO & Chairman. To change this bylaw they would need an AGM vote and super-majority approval of the board. This doesn't seem like a high bar to enact change and the company has had pressure from minority shareholders to split the roles. But the majority shareholder (the Spanish State) has not shown interest in supporting the change. We spoke with Aena's management about our intentions to vote against the CEO and Chairman. This puts pressure on the Spanish State to look at separating the roles.*

Outcome – *Resolution passed with 82.5% votes in favour. ISS recommended that we vote against the CEO/Chairman's re-election as Aena has not split the CEO and Chairman roles and does not have a plan to do so. We will continue to do so as we believe these two roles should be separate.*

2. **EQUINOR ASA**

Equinor ASA operates as an energy company. The Company develops oil, gas, wind, and solar energy projects, as well as focuses on offshore operations and exploration services. Banking Group is a UK-based financial services group.
Date – May 2022.

We voted for Equinor's transition plan because we are supportive of their efforts to decarbonise. Equinor is at the forefront of offshore wind developments and we have been impressed by their business success in that area. We have engaged with the company and discussed their plan and disagree with ISS's assessment. Equinor are one of few companies who have been profitable in aiming to decarbonise and we will support that.

Outcome - *The resolution passed with 96.6% votes in favour.*

<u>BNYM voting and engagement activities</u>

The following information is based on the responses BNYM have provided to our questions on voting and engagement and provides an illustration 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 Sustainable Real Return Fund and the Sustainable Global Dynamic Bond 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.

Whilst Newton conducts most of their engagements directly with companies, they do also collaborate with other investors where they believe it will generate a better outcome for investors. For example, they worked alongside eight other investors as part of the Climate Action 100+ group, co-filing a resolution asking BP to explain its thinking on climate change and how its business is aligned with the Paris Agreement. The resolution was passed, opening the door to talk in more detail about its future in the energy transition.

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 provided the following example:

> *‘Alcentra’s Co-Head of Special Situations was appointed to the Board of Directors of one of our portfolio companies. Through his role as a Board member, he has made a number of influential and continued engagements to directly support the company as it made alterations and enhancements to existing governance considerations – specifically surrounding internal reporting and control measures in place, whilst further building upon the company’s existing ESG strategy.’*

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, BNYM’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. There were 186 engagements over the year in relation to this fund.

The Trustees have reviewed BNYM’s engagement activity and have noted in particular the following example for this fund:

> **VOLKSWAGEN**
>
> *“We had a follow-up meeting with the company following MSCI deeming it to be in breach of the UNGC. While we acknowledge the company's clarification that it has exposure to the plant in question via a joint venture, rather than direct ownership, we shared our view that this argument was technical in nature and appeared defensive. Instead, the company needs to better communicate its approach to supply-chain audits and risk management, particularly in sensitive regions. Furthermore, while the company's exposure is via a joint venture, it still has accountability on expectations placed on the practices of its joint-venture partner.*
>
> *Despite this follow-up discussion, our concerns remain regarding how the company is properly managing this risk, particularly as it appears committed to continuing with the partnership, which is important for the company to be able to sell vehicles into this market. We do acknowledge the challenges of maintaining supply chains in this region and note that there is a lesser chance of this*

being a high-risk exposure for the company given the skilled nature of the roles and the smaller size of the plant. Furthermore, the company does not use intermediaries to manage this risk better."

M&G - engagement activities

The following commentary is based on the information that M&G have provided in response to our questions and illustrates 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.

There were 11 engagements over the year in relation to this fund.

The Trustees have reviewed M&G's engagement activity and have noted in particular the following examples for this fund:

1. MARKS AND SPENCER PLC

Objective: To explore the potential of M&S, British multinational retailer, becoming Real Living Wage accredited.

“Action: We sent a letter to the company to make our expectations known.

Outcome: Their aim is to maintain pay levels for all M&S colleagues which are competitive in the relevant market. For frontline colleagues in stores, their national and London rates are above the real living wage. As they pay above the Living Wage to their own employees, there is no additional cost of doing so, or impact on pay differentials. Currently their position is that they are not seeking accreditation as a Living Wage Employer. This is because they prefer to set rates independently and do not wish to impose pay arrangements on third-party contractors. The main complexity here would be amending contracts with third-party suppliers. They are, however, committed to paying colleagues fairly and take a range of external factors into consideration when setting our hourly rates, including the real Living Wage rates. They also consider internal factors, such as business performance and the wider reward package, which includes a generous pension and a discount on M&S products. M&S also have one of the lowest turnover rates in the retail sector and colleagues who stay with the business for many years.
They informed us that they work hard to stay engaged with all employees, including a Reward and Wellbeing Survey for last year which provided rich information about what really matters to them. We noted the concerns that the company had in regard to becoming accredited, and were happy with the overall work that the company was doing to ensure that employees are fairly paid.”

2. THERMO FISHER SCIENTIFIC

Objective: To ensure that US medical technology and analytical equipment business Thermo Fisher Scientific had effective policies and procedures in place to help avoid the misuse of its equipment.

“By way of background, following public reports regarding human rights violations against the Uyghur people in China's Xinjiang region, coupled with speculation that Thermo Fisher’s STR (Short Tandem Repeat) DNA products were being potentially used in a manner inconsistent with human rights principles, the company ceased any new sales of human identification (HID) products to Xinjiang Public Security Bureaus in March of 2019. This equipment is usually used in, for example, forensics - to match DNA to an established database - and cannot, in and of itself, be used to identify or profile ethnic minority populations.

Action: We met with the company's investor relations and the senior director of corporate social responsibility to discuss the issue.

Outcome: We were satisfied that Thermo Fisher had taken the issue seriously, and responded by improving its policies and procedures. It has adopted and implemented a Code of Business Conduct and Ethics, applicable to all directors, officers, and employees, who receive annual training on the code. In order to help ensure that no products or services are sold that could potentially be used in unintended ways to violate human rights, the company implemented a multi-level purchasing process designed to prevent the ordering and resale of HID products to public security bureaus in the region (and has produced a broader list of countries it will not sell to, based on country risk assessment). The company has an approved network of authorised distributors that agree to comply with this purchasing process under the terms of their contract.

Thermo Fisher also has in place a cross-functional Bioethics Committee, consisting of the Chief Operating Officer, the Chief Science Officer, and leaders representing its life sciences and diagnostics businesses and legal and communications functions. The Bioethics Committee regularly assesses the ethical and social implications of scientific developments in biotechnology, and has regularly reviewed Thermo Fisher's existing policies and provided updates to the company's Science and Technology Committee of its board of directors. We will further engage with the company on matters of bioethics in due course."

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.

Aviva were unable to provide examples of engagement.

CT - engagement activities

The following commentary is based on the information that CT have provided in response to our questions and illustrates 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.

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.'

CT 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, CT does still engage with counterparty banks on relevant issues.

There were 16 engagements over the first half of 2022 and 7 engagements over the second half of 2022 in relation to all CT LDI portfolios.

The Trustees have reviewed CT's engagement activity and have noted in particular the following examples for the funds:

BARCLAYS PLC

"At the Q3 investor update, the company announced that it was accelerating its timeline to phase out the financing of thermal coal power in the US from 2035 to 2030, in line with its approach in the UK and EU. The decision was taken as a result of engagement with shareholders and the introduction of the Inflation Reduction Act in the US."

HSBC HOLDINGS PLC

"HSBC has updated its energy policy to include the ending of funding for new oil and gas projects. In particular it states: HSBC will not provide new finance, or new advisory services, to any client for the specific purposes of O&G exploration, appraisal, development, and production pertaining to:

• ultra-deepwater offshore O&G projects;

• shale oil projects; extra heavy oil projects;

• projects in environmentally and socially critical areas;

•infrastructure whose primary use is in conjunction with the above activities."