Engagement Policy Implementation Statement

This statement has been prepared by Sopra Steria (Retirement Benefits Scheme) Trustees Limited (the "Trustee") as trustee of Sopra Steria Retirement Benefits Scheme (“the Scheme”).

It sets out how, and the extent to which, in the opinion of the Trustee, the policy set out in the Scheme’s Statement of Investment Principles ("SIP") has been followed during the reporting period in relation to:

(a) the exercise of the rights (including voting rights) attaching to investments; and

(b) undertaking engagement activities in respect of investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons (including investment managers) about relevant matters (such as the management of conflicts, risks, social and environmental impact and corporate governance).

It also describes the voting action taken by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the reporting period and states any use of the services of a proxy voter during that period. Examples of the most significant votes cast, including the investment manager's justification, are included in the statement.

The Trustee does not itself manage the Scheme’s investments or otherwise take day-to-day investment decisions. This statement therefore relies largely upon voting and engagement information that has been gathered from the Scheme’s asset managers in relation to the investments that they manage for the Scheme or in relation to pooled investment funds managed by them in which the Scheme invests.

This statement covers the year ended 31 December 2020. Until 30 September 2020 the Scheme only had modest investments in cash. On that date, the Scheme acquired beneficial ownership of substantially all of the investments of Steria Management Plan, Steria Pension Plan and Steria Retirement Plan (“the Transferring Plans”) pursuant to a sectionalised merger. The statements of investment principles, and the asset managers, of the Transferring Plans before 30 September 2020 were essentially the same as those of the Scheme since that date. This statement covers the year ended 31 December 2020 as though the investments of the Transferring Plans belonged to the Scheme for the whole of that year.

Scheme Engagement Policy

The Scheme is a formally sectionalised occupational pension scheme consisting of three sections: the SMP Section, the SPP Section and the SRP Section (together, the “Sections”). Due to the similarity between each Section's investments, the Trustee has prepared a combined statement that applies to each Section's investments. References in this statement to the "Scheme" should be read as referring to the relevant Section or Sections of the Scheme.

Set out below is an extract from the Trustee’s Responsible Investment Policy as set out in the SIP (where references to the Trustee's "Investment Adviser" mean Aon). The full SIP can be found here:

https://www.ssrbs.co.uk/useful-documents

“4. Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to seek to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Scheme and its beneficiaries.

The Trustee regularly reviews the suitability of the Scheme’s appointed investment managers and takes advice from the Investment Adviser regarding any changes. Where applicable, this advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee expects, the Trustee undertakes to engage with the manager and to seek a more sustainable position but may also look to replace the manager.

The Trustee reviews the stewardship activities of the Scheme’s investment managers on an annual basis, covering both engagement and voting actions.

The Trustee will review the extent to which the investment strategies, decisions, policies and practices of the Scheme’s investment managers are aligned with the Trustee’s policies. The Trustee will seek to ensure that the managers, or other third parties, use their influence to act consistently with the Trustee’s policies and objectives as a responsible institutional investor. This will include voting and – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability and positive change.

The Trustee will engage with the investment managers as necessary for more information, with a view to ensuring that robust active ownership behaviours, reflective of their stewardship and engagement policies, are being carried out. This will take the form of annual reporting in the form of implementation statements to be produced from 2021 onwards, which will be made available to members on request.

The Trustee has completed a survey with its Investment Adviser to identify key areas of concern around corporate stewardship and will subject its investment managers to scrutiny accordingly. It is the expectation of the Trustee that the Scheme's asset managers will prioritise and actively monitor for these areas of concern within the investments, providing transparency on engagement and voting actions with respect to mitigating these concerns as appropriate and consistently with long term asset return objectives.

Transparency on voting actions should include details of occasions when: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of the asset manager or (where relevant, in the case of a segregated mandate) of the Trustee.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including its performance, strategy, risks, social and environmental impact, corporate governance, capital structure and management of actual or potential conflicts of interest. Where such a concern is identified, the Trustee will engage with the Investment Adviser to consider the methods by which, and the circumstances under which, they would monitor and engage with an investment manager and/or other stakeholders.

In practice, a large portion of the Scheme's assets are held in pooled fund vehicles and therefore engagement with any issuer of debt or equity in which any such vehicle invests is a matter for the investment manager concerned.

However, the Trustee holds the investment managers of pooled fund vehicles to account in accordance with the policies outlines above."

Scheme engagement activity over the year

Progress to date

The Trustee has been proactive in its commitment to responsible investing ("RI") and took various actions during 2019 to demonstrate this. As a result, it was well placed regarding its preparation going into 2020 in light of the further policies required to be included in the SIP.

During 2019, the Joint Investment Committee ("JIC") of the trustees of the Transferring Plans (and more recently also of the Trustee of the Scheme) held training sessions, hosted by their investment advisers, to provide background relating to the risks that environmental, social and governance ("ESG") factors may present to their investment strategies. (Further training and consideration of these risks will be conducted on an ongoing basis, particularly as industry practices and standards evolve and mature through time.) Following this, a Responsible Investment Policy was drafted and included in the Scheme's SIP and in those of the Transferring Plans, which set out the trustees' beliefs in relation to RI and their policy in relation to ESG factors.

The members of the JIC are members of Aon's Responsible Investment Network (since 2019) and are generally supportive of industry collaboration on all such related matters. It is expected by the Trustee that the Scheme's investment managers share a similar view and take steps to encourage RI issues to be addressed, such as through collaboration where possible.

Updating the engagement policy

The Trustee has made clear that it acknowledges the importance of its role as a steward of capital and seeks to ensure the highest standards are followed with regard to responsible investment by the underlying funds. It is expected that the investment managers engage with the underlying investee companies on such issues and this will be reviewed periodically by the Trustee and its investment adviser, Aon ("Aon").

The steps taken by the Trustee to monitor and assess ESG related risks and opportunities include the following:

- Training on RI will be conducted on a periodic basis. This is to ensure an understanding of how ESG-related risk factors, including climate change, may have an impact on the Scheme's assets and liabilities.
- The efforts of the Scheme's investment managers to improve ESG integration, consistency in measurement, and reporting within their portfolios will be monitored on an ongoing basis by the Trustee. ESG ratings, as provided by its investment adviser, will be reviewed wherever relevant and available.
- Investment managers are required to provide to the Trustee their Responsible Investment Policies for review on a periodic basis. Monitoring of these will be conducted, with input from Aon as and when appropriate.
- In addition to reviewing its policies, the Trustee will meet with the investment managers periodically. This will allow for discussion regarding the integration of ESG considerations into their investment decision-making process. The engagement actions of the managers will also be discussed. The Trustee will take an active approach to ensuring that any promised actions of the managers in this context are completed as expected within the relevant timeframe.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with monitoring reports being provided to the Trustee by Aon. The reports include ESG ratings and highlight any areas of concern, or where action is required. The ESG rating system is for buy rated investment strategies[1] is designed to assess whether investment managers integrate

[1] Where Aon has undertaken research and due diligence and has given the strategy in question its highest rating "buy", this rating can be interpreted as follows "We (Aon) recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products".

responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the manager's RI related policies and procedures, including a review of its RI policy (if it has one), active ownership, proxy voting and/or engagement policies. After a thorough review of the available materials, data and policies, as well as conversations with the fund manager, Aon's lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Typically, the JIC meet with each asset manager on an annual basis. Due to the remote working environment arising from Covid-19, the Trustee did not conduct as many manager meetings during 2020 as would typically be the case, but was able to meet with Harris Associates (twice) and discussed recent performance, outlook and ESG factors specifically. The Trustee is committed to interviewing all the managers periodically.

It is recognised by the Trustee that the Scheme's RI Policy and monitoring actions will evolve to ensure alignment with the development of ESG-related issues and wider industry/regulatory requirements.

Discussions with the Principal Employer to align applicable ESG objectives

As noted, the Trustee recognises the important of ESG considerations and was an early adopter in this respect. It is evident from the RI Policy that the Trustee is seeking to align management of the Scheme with the ESG strategy and principles of Sopra Steria Limited (which is explicitly stated). Additionally, recognition of the importance of safeguarding the Scheme's assets in accordance with the long-term value enhancing objectives is stated in this policy.

Voting and engagement activity – listed equities

All three Sections of the Scheme were invested in the following equity funds in 2020:

Manager	Fund Name
MFS	MFS Global Equity
Morgan Stanley	Morgan Stanley Global Brands
Harris Associates	Harris Associates Global Equity Fund

Set out below are the comments that the Trustee has received from these managers in relation to their voting and engagement policies.

MFS

MFS comment:

"Voting Policy

MFS has entered into an agreement with Institutional Shareholder Services, Inc. (ISS) to perform various proxy voting-related administrative services, such as vote processing and recordkeeping functions. While MFS also receives research reports and vote recommendations from ISS and Glass, Lewis & Co., Inc., MFS analyses all proxy voting issues within the context of the MFS Proxy Policies, which are developed internally and independent of third-party proxy advisory firms. MFS' voting decisions are not defined by any proxy advisory firm benchmark policy recommendations. MFS has due diligence procedures in place to help ensure that the research they receive from their proxy advisory firms is accurate and to reasonably address any potentially material conflicts of interest of such proxy advisory firms. All proxy voting decisions are made in what MFS believes to be the best long-term economic interests of their clients.

MFS does not, at this time, define a vote significant to particular strategies. "Significant votes" may have the following characteristics (among others): the vote is linked to certain engagement priorities; the vote is considered to be an engagement with the issuer; the vote relates to certain thematic or industry trends.

MFS Global Equity	Q1 2020	Q2 2020	Q3 2020	Q4 2020
% of resolutions voted on for which the fund was eligible	100%	100%	100%	100%
Of the resolutions on which the fund voted, % that were voted against management	3%	6%	9%	11%
Of the resolutions on which the fund voted, % that were abstained	0%	2%	1%	0%

Significant Voting Example

In March 2020, MFS voted against management in an advisory vote to ratify named executive officers' compensation against Walt Disney. MFS assessed this vote to be "significant" on the basis that it related to ongoing engagement priorities around executive compensation and linking executive pay to long-term performance. MFS voted against the executive compensation proposal due to concerns around the structure and magnitude of the executive pay program. While they have observed positive changes in recent years in response to shareholder feedback, they continued to have concerns with the pay structure. Through their engagement efforts with the company over the past couple of years, MFS has expressed their concerns with the proposed remuneration scheme. The company has been receptive to shareholder feedback and has made some changes to the overall plan, however, concerns still remain. MFS will continue to communicate concerns with the remuneration scheme to the company and provide feedback that they believe is in the best long-term interest of the company's shareholders.

Engagement Policy

Proxy-led engagement activity is conducted on a firm-wide level. MFS's proxy voting team engages in a dialogue or written communication with a company or other stakeholders when they believe that the discussion will enhance MFS's understanding of certain matters on the company's proxy statement that are of concern to shareholders. MFS may also engage in such dialogue regarding certain thematic topics of focus for their proxy voting committee. Some of the issues they discuss with company management teams, board members and/or other company representatives include executive compensation, director accountability, as well as various environmental, social and governance issues. When engaging with companies, the proxy voting team aims to: (i) explain the rationale behind their proxy votes; (ii) exchange views on relevant ESG issues; and (iii) potentially effect positive change with respect to such issues.

Engagement Example

In December 2020 MFS engaged with Cognizant. The focus of engagement was to discuss board composition, executive compensation, sustainability, diversity and culture. MFS met with the chairman of the board and chair of the compensation committee to discuss strategy, diversity and inclusion, board refreshment, proposed compensation changes and sustainability. This engagement is still ongoing. MFS will continue to analyse and discuss the evolution of the company's executive compensation plan, the company's ongoing sustainability efforts, its corporate culture initiatives, as well as any other topics relevant to the company."

Morgan Stanley Investment Management (MSIM)

MSIM comment:

"Voting Policy

MSIM receives proxy voting research from the Institutional Shareholder Services (ISS) and Glass, Lewis & Co., Inc. The ISS voting platform is used but votes are cast by MSIM employees. MSIM Affiliates will vote proxies in a prudent and diligent manner and in the best interests of clients, including beneficiaries of and participants in a client's benefit plan(s) for which the MSIM Affiliates manage assets, consistent with the objective of maximizing long-term investment returns.

Morgan Stanley Global Brands Fund	***2020***
% of resolutions voted on for which the fund was eligible	*100%*
Of the resolutions on which the fund voted, % that were voted against management	*9%*
Of the resolutions on which the fund voted, % that were abstained	*0%*

Significant Voting Example

An example of a significant vote is MSIM voting against management of Reckitt Benckiser Group in May 2020. The proposal was seeking approval on the remuneration report. MSIM stated it had concerns over the company's short term and long-term performance metrics and will continue to engage with the company on this topic. This vote was deemed significant on the basis that it is a vote against management's recommendation.

<u>Engagement Policy</u>

MSIM works to ensure that shareholder engagement is effective and works in the best interest of clients to improve the long-term returns from the companies in which we invest. Engagements are conducted regularly by Investment teams and the Global Stewardship Team, which is dedicated to promoting investment stewardship activities, including proxy voting and engagement, across the firm. Investment teams engage with companies throughout their investment process on a broad range of issues including a company's strategy, financial and non-financial performance, risk management, corporate governance, sustainability initiatives, and capital structure.

Engagement Example

In 2020, MSIM engaged with Microsoft to better understand the company's decarbonation strategy's and the actions they are taking to meet them. MSIM engage with senior management (the C-suite), investor relations and the sustainability team within the company. From this engagement MSIM learnt:

***Decarbonisation target**: Carbon negative*

Reduction examples

- *Significant reduction opportunity moving businesses from on-premise to Cloud.*
- *Cloud is up to 93% more energy-efficient and up to 98% more carbon-efficient than on-premise*
- *Global campus vehicle fleet to be electrified by 2030*
- *Paid for the removal of 1.3 million metric tons of carbon from 26 projects around the world.*
- *The Xbox team developed a feature reducing power in "standby" mode from 15W to less than 2W*

Recent carbon announcements

- *Heading towards 100% renewable purchase power agreements for data centres*
- *Included progress on sustainability goals as a factor in determining executive pay from next fiscal year.*
- *Committing to future carbon, water, waste, and ecosystems data to be reviewed by an independent third party*

MSIM are continuing to monitor the company's progress, including its progress towards meeting its proposed targets."

Harris Associates

Harris comment:

"*<u>Voting policy</u>*

Harris Associates (Harris) has long been active in voting proxies on behalf of shareholders in the belief that the proxy voting process is a significant means of addressing crucial corporate governance issues and encouraging corporate *actions that are believed to enhance shareholder value. Harris has a Proxy Voting Committee comprised of investment professionals that review and recommend policies and procedures regarding their proxy voting and ensures compliance with those policies. The proxy voting committee is responsible for recommending proxy voting guidelines, establishing and maintaining policies and procedures for proxy voting, and ensuring compliance with these policies and procedures. In most cases Harris will vote according to the Harris Associates voting policy. If the analyst covering a stock believes that they should vote contrary to this for a given agenda item, that request is made to the firm's Proxy Voting Committee, who makes the final decision.*

Harris has engaged ISS[2], an independent proxy voting service provider, to assist in voting proxies. Harris uses information from ISS as a supplement to its own internal research database regarding the companies in a client's portfolio.

Harris states that it will normally vote in line with management's recommendations, as it believes "voting with management is generally the same as voting to maximize the expected value of investments" following the extensive assessment of the company's management when choosing to invest. One example where Harris voted against management was in relation to executive officers' compensation at Liberty Global plc. Harris, along with c. 35% of shareholders voted against management regarding its remuneration policy, as it believed the CEO's compensation was excessive, and that half of it was time based, rather than performance."

[Harris does not make their voting records public so we are unable to provide voting statistics.]

"Engagement policy

Harris regularly monitors invested companies and takes appropriate action if investment returns are at risk. To ensure that the companies are acting in their shareholders' best interests, Harris regularly communicates with management about new initiatives and matters affecting the business. Annually, Harris has more than a thousand management meetings with C-level executives and board members. Harris' meetings address long-term sustainability issues and managements plans to proactively deal with business risks and opportunities, including potential environmental, social and governance (ESG) issues, when relevant.

In November 2020, Oracle faced a shareholder resolution at its annual meeting regarding gender and racial pay gap reporting. After considering the case, Harris decided to vote with management against this resolution, but engaged with the company directly to communicate the importance that Harris attach to this issue, which they will continue to monitor."

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[2] *Institutional Shareholder Services*

Voting and engagement activity – other asset classes

During 2020, the Scheme also invested in a number of other asset classes and strategies, including fixed income, currency hedging, infrastructure, commercial property and bank capital relief. The following table shows the funds in which material investments were held and (with crosses) the Sections of the Scheme which held those investments.

Manager	Fund	SMP Section	SPP Section	SRP Section
BlackRock	*BlackRock Active Bonds*	x	x	x
	BlackRock Currency Hedge	x	x	x
	BlackRock Absolute Return Bonds	x		
DRC	*DRC Capital UK Whole Loan Fund*	x	x	x
Macquarie	*MIEF II (Macquarie European Infrastructure Fund II)*	x		x
Brookfield Infrastructure Partners	*BIF III (Brookfield Infrastructure Fund III)*	x		x
Global Infrastructure Partners	*GIP IV (Global Infrastructure Partners Fund IV)*		x	x
	GIP III (Global Infrastructure Partners Fund III)	x		x
	GIP II (Global Infrastructure Partners Fund II)		x	
Schroders	*Steria Pooled Investment Fund (commercial property)*	x	x	x
Christofferson Robb & Co (CRC)	*CRC Bank Capital Relief Fund XV*	x	x	x
Barings	*Barings Global Loan Fund*	x	x	x

While the Trustee acknowledges that the ability of fund managers to engage with and influence investee companies may be less direct in some of these cases than in the case of listed equity holdings, from the information received, it is encouraging that the managers are aware and active in their roles as stewards of capital.

The following examples demonstrate some of the engagement activities being carried out by the fund managers concerned over the year.

Global Infrastructure Partners (GIP) – infrastructure

GIP's stewardship policy is embedded within their ESG Policy in which GIP has stated that:

"GIP is committed to being best-in-class in ESG practices. To demonstrate our commitment, GIP became a signatory to the United Nations Principles for Responsible Investing ("UNPRI") in 2020, providing third party assurance internally and externally of our ESG performance. While GIP has always been aligned with the UNPRI principles through incorporating ESG considerations into our investment analysis, decision-making and ownership policies and practices, we believe that officially applying these principles reinforces our long-held commitment to ESG and leads to better quality investment outcomes. As part of this commitment, GIP will continue encouraging our portfolio companies via its active ownership and stewardship approach to advance GIP's ESG-related principles in a manner consistent with their fiduciary duties…"

GIP comment:

"Engagement example

2020 represented the first year of Pacific National's (Australia's largest private rail freight operator) three-year Modern Slavery action plan to comply with Australia's Modern Slavery Act and to reduce the potential risks of modern slavery in its operations and supply chain. Pacific National's journey started with identification of potential risks of modern slavery within its operations and its supply chain and continued with Board and Executive Leadership support of the detailed three-year plan. The company updated its Code of Conduct, created a Supplier Code of Conduct, and *communicated its expectations and values related to modern slavery and human rights to its employees and contractors. Pacific National's newly established cross-functional Modern Slavery Working Group oversees and implements the action plan and is responsible for managing the risk and implementation of the plan across the organization. Pacific National's actions are in line with GIP's own actions. GIP has assessed not only modern slavery risks and their impact on business operations and supply chains of our portfolio companies, but also the modern slavery risks in GIP's own business operations. GIP currently provides a statement under the UK Modern Slavery Act and is expected to do the same under the Australian Modern Slavery Act."*

Schroders – commercial property

Schroders produces an Annual Sustainability Report which addresses ESG considerations, including provision of specific case studies of Schroders' actions and resulting outcomes.

Schroders comment:

"Schroders Real Estate business participates in the Global Real Estate Sustainability Benchmark (GRESB), the industry standard Real Assets sustainability benchmark […]. Schroders acknowledges that improving the characteristics of its asset portfolio[s] (including the Steria Pooled Investment Fund portfolio) is key to efficiency and improving asset values.

Schroders requires developments and refurbishments to incorporate sustainable standards and building certifications, with minimum standards in place. Schroders has also set specific targets across the Real Estate portfolio, which we view as a meaningful commitment to action. These include:

- *Reduction of energy consumption by 18% over 2016-2021*
- *32% reduction in greenhouse gas emissions over 2016-2021*
- *Zero landfill waste*
- *100% consumption of renewable electricity."*

The Trustee recognises that the nature of pooled real estate investments and Schroders' processes may mean that stewardship is potentially less applicable, or may have a less tangible financial benefit, than stewardship of equity investments. Nonetheless, the Trustees still expect that all their managers should be ready to engage with key stakeholders in relation to investments where they identify concerns that may be financially material. The reporting from Schroders in this area is of a high standard in the Trustee's opinion.

Barings – bank loans

Barings comment

"Barings' approach to engagement is set out in their Barings Global Sustainability Policy (refer to page 11 of the Policy via the following link - https://bwebprod.blob.core.windows.net/assets/user/media/Barings-Global-Sustainability-Policy-2021.pdf.

Barings firm wide company engagements can be accessed via the following link - https://bwebprod.blob.core.windows.net/assets/user/media/Barings-ESG-Engagements_2020.pdf.

At a fund level, Barings' Global High Yield Investment Group (the Group) engages with portfolio companies with a focus on changing behaviour in key risk areas and improving disclosure on key ESG topics in a part of the market, which generally lags equities and investment grade. The Group's research analysts are best placed to undertake this engagement process given their detailed knowledge of the companies and strong relationships with management and financial sponsors.

As a fundamental active manager, Barings believes in rigorous asset underwriting in evaluating whether to lend to a borrower or not. As part of this analysis, Barings' investment professionals perform the same time-tested *investment process on every new primary market transaction and on a continual basis with those assets that have been approved as part of the investment thesis.*

Active engagement with companies, therefore, begins with their deep bench of credit analysts and portfolio managers. Barings conducts numerous on-site visits and meet with management teams as part of this rigorous due diligence process. Fundamental analysis of ESG is of increased importance given the limited disclosure on High Yield issuers and the weaker coverage by third-party ESG providers. Additionally, Barings has engaged with companies that they lend to by raising concerns about ESG risks with management teams. Their responses influence our decision to maintain or alter Barings' investment thesis.

Engagement example

A recent engagement example is a jewellery retailer, which is a loan issuer where Barings hold underweight positions across Barings loan portfolios. In March 2020, the company paid a €52m dividend out of the group which was permitted under the loan facilities agreement. This action was viewed as very poor corporate governance as the dividend payment was made at a point in time when the company knew there was potential for significant upcoming disruption to business operations from COVID-19. Barings engaged with senior management and sponsors to demand repayment of the dividend into the business. Barings also leveraged their scale as a significant lender to make their consent to a separate company amendment request to waive an excess cash flow repayment contingent on the cash being put back into the business. Ultimately, this engagement proved successful with sponsors and management making an irrevocable written commitment to repay the dividend into the business."

BlackRock – bonds and currency hedging

BlackRock state that they aim to enhance the long-term value of client assets through their proxy voting and engagement activities. BlackRock's Investment Stewardship team engage with companies in both active and indexed investment strategies, noting the importance of engagement within index-based strategies where divestment is not an option. BlackRock use engagement as a tool to raise concerns regarding governance and sustainability issues that may affect the long-term performance of the company.

The BlackRock Investment Stewardship Team's (BIS) stated key engagement priorities include:

- Board quality
- Environmental risks and opportunities
- Corporate strategy and capital allocation
- Compensation that promotes long-termism
- Human capital management.

BlackRock states that it has increased its engagement activity year on year significantly on a variety of key issues, including having over 400 engagements with companies where they discussed the impact of COVID-19. More information can be found in the BlackRock Investment Stewardship Annual Report 2020:

https://www.blackrock.com/corporate/literature/publication/blk-annual-stewardship-report-2020.pdf

BlackRock comment:

"Engagement Example

An example of an engagement by the BlackRock BIS team was that with Exxon, a multi-national oil and gas company. In their discussion with the company, they discussed several engagement topics such as governance structure, corporate strategy, environmental risks and opportunities. These included questions from the BIS team including, the company's approach to the European regulatory environment, their views on electric vehicle penetration as a risk to their business, and their risk management in relation to physical climate change risks.

BlackRock have stated that their ongoing dialogue has been largely constructive and effective, however there have also been matters where the company wasn't adequately responsive to shareholder feedback. As a result, they voted *against the re-election of the lead independent director for the company's lack of progress on climate-related disclosure and supported a shareholder proposal seeking a report on the extreme weather resilience of certain operations. This is consistent with their view to first engage with companies on their concerns and to subsequently hold directors accountable if those concerns are not sufficiently addressed.*

BlackRock anticipate further dialogue with the board and management and remain optimistic that their recommendations to enhance governance and transparency will lead to additional positive future outcomes"

Macquarie Infrastructure and Real Assets (MIRA) - infrastructure

MIRA comment:

"MIRA have carried out a number of new initiatives recently. For example, in early 2019, they formalised a policy restricting investments in businesses with exposure to coal where no further investments will be made in standalone coal fired generation or in any asset for which more than 25% revenue is dependent on coal. MIRA is actively encouraging and supporting decarbonisation within its portfolios, and more information can be found here: https://www.mirafunds.com/assets/mira/our-approach/sustainability/infrastructure-sustainability-report-centre-line.pdf

Engagement example

MIRA's latest Infrastructure Sustainability Report was published in August 2020 on their website (link below) which includes various engagement examples in 2019:

https://www.mirafunds.com/uk/en/our-approach/sustainability.html"

MIRA was unable to provide an engagement example for 2020. However, the Trustee welcomes the steps and actions MIRA has taken so far to fulfil its commitment to sustainability.

DRC – commercial real property debt

DRC comment:

"DRC undertake technical and environmental due diligence on every asset that they finance. They are presently beta testing a detailed ESG due diligence approach alongside their technical advisors. DRC have also started a process of having quarterly ESG briefings with specialist advisors, who have the remit of monitoring developments, they also take part in the DRC Investment Committee. DRC have also confirmed that the UK Whole Loan Fund in particular has made five investments with advanced ESG aspects (c.23%) of the fund, however, have not provided further detail or transparency on these investments or how they have engaged with the asset issuers."

The Trustee welcomes that DRC became a signatory to the PRI in 2020. DRC has stated that it is currently reviewing the UK Stewardship Code 2020 and will consider becoming a signatory as part of the Savills Investment Management / DRC partnership.

The Trustee would welcome a formal responsible investment policy being made public and looks forward to increased disclosure of examples of engagement and stewardship in practice.

Brookfield - Infrastructure

Brookfield has commented it has a strong commitment toward ESG integration and detail of their policy is set out in the following link: https://www.brookfield.com/responsibility

Brookfield was unable to provide an engagement example. However, the Trustee welcomes the fact that, in February 2020, Brookfield became a signatory to the PRI, the leading proponent of responsible investment. Brookfield has stated that it expects its first reporting submission to be made public in July 2022. Reported signatory data will be available to the public via the PRI website, where investors will be able to access Brookfield's Transparency Reports.

The Trustee would like to see more public disclosure regarding Brookfield's stewardship activities.

Christofferson Robb & Co (CRC) – bank capital relief

CRC comment:

"For 18 years, CRC has been an important partner for European banks seeking Risk Sharing Transactions (RSTs). RSTs efficiently improve banks' capital ratios and provide CRC funds with investments that generate low double-digit net returns that hold up under extreme economic stress. CRC manages $5.2 bn dedicated to Risk Sharing Transactions with European banks. RSTs are sometimes called "Capital Release" or "Capital Relief" Transactions.

While relieving European banks of urgent capital pressures, CRC constructs high-yielding 'bond-like' EUR-denominated investments that are resilient to economic turmoil and insolvency of the issuing banks. Due to the nature of these RSTs, engagement is most active at the formation of the fund.

CRC's 'engagement' with each banking counterparty per transaction is an ongoing one: they bilaterally negotiate commercial terms, then bilaterally negotiate documents (non-disclosure agreement, financial guarantee, pledge agreement, deposit agreement, etc.), arrange execution, then have ongoing dialogue through, for example, the ramp up or replenishment of the deal, receive reports and even, in some cases, bilaterally negotiate termination. Once the deals are agreed, there is limited-to-none engagement with the banks until the maturity of the funds (ranging from 3 years to 6 years). CRC was unable to provide an engagement example.

CRC has developed their own ESG policy with the ESG integration embedded in their investment selection process."

Additional points

The Trustee's investment adviser, Aon, has gathered information from the Trustee's asset managers to support the production of this statement. Due to varying stewardship reporting styles, the information is not in an exactly consistent manner. Over time the Trustee expects industry-wide templates to be more widely adopted and more consistent information to be received from asset managers. Aon is working with the asset managers to improve the data they provide; in the meantime, however, the Trustee believes it is reasonable to use the information provided by them for the purpose of this statement.

This statement does not disclose stewardship information on the Scheme's liability driven investment (LDI) portfolios (which are managed by BlackRock and are largely invested in UK government gilts and swaps) or on their investments in BlackRock's Sterling Liquidity Fund (which is a cash-like money market fund) due to the limited materiality of voting and engagement to those asset classes.

This statement does not disclose information on the Scheme's additional voluntary contribution (AVC) platform providers or funds on the grounds of materiality.

In summary

Based on the activity over the year by the Trustee and its investment managers, the Trustee is of the opinion that its voting and engagement policy has been implemented effectively in practice. The Trustee notes that most of its investment managers were able to disclose and demonstrate strong evidence of voting and engagement activity.

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

29 June 2021