Engagement Policy Implementation Statement

Time Warner UK Pension Plan (the "Plan")

The Engagement Policy Implementation Statement ("EPIS") has been prepared by the Trustee and covers the Plan year 1 April 2021 to 31 March 2022.

Introduction

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

- Explain how and the extent to which the Trustee has followed its engagement policy which is set out in the Statement of Investment Principles ("SIP").

- Describe the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Plan year and state any use of third party provider of proxy voting services.

Executive summary

Based on the activity over the year by the Trustee and its investment managers, the Trustee believes that the stewardship policy has been implemented effectively. The Trustee notes that most of its investment managers were able to disclose evidence of voting and engagement activity.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement. In particular, the Trustee expects improvements from its managers on their reporting of fund level engagement examples. The Trustee's investment advisor, Aon Solutions UK Limited ("Aon"), and Aon Investments Limited ("AIL") in relation to the diversified liquid credit fund, will engage with these managers to encourage improvements in their disclosures.

Plan stewardship policy

The below bullet points summarise the Plan's stewardship policy in force over the Plan year to March 2022.

The full SIP can be found here: https://wbd.com/time-warner-uk-pension-plan-statement-of-investment-principles-2023/

- The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which the Plan's investments reside.
- The Trustee will, on an annual basis, ask all of its investment managers to provide their respective responsible investment policies – including their policies with respect to their stewardship practices – and details of how they integrate environmental, social and governance ("ESG") into their investment decision making process.
- The Trustee engages with its investment managers as necessary for more information to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of reporting which will be made available to Plan members upon request.
- If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policies, the Trustee will engage with the manager and seek a more sustainable position, though it may ultimately replace the manager if such a position cannot be reached.

Plan stewardship activity over the year

Training
Over the year, the Trustee received responsible investment training from its investment advisor, which provided the Trustee with updates on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making.

Ongoing Monitoring
Investment monitoring takes place on a quarterly basis with a monitoring report being provided to the Trustee by Aon. The reports include Environmental, Social and Governance ("ESG") ratings and highlight any areas of concern, or where action is required. The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate 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 managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the 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.

Voting and Engagement activity – Equity

Over the year, the Plan invested in the Legal & General Investment Management Developed Balanced Factor Equity Index Fund.

In this section there is a summary of voting information and examples of significant voting activity for the Plan's relevant manager. The investment manager provided examples of 'significant' votes it participated in over the period. Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g. more than 15%) went against the management's proposal
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting
- a vote that is connected to wider engagement with the company involved
- a vote that demonstrates clear and considered rationale
- a vote that the Trustee considers inappropriate or based on inappropriate rationale
- a vote that has significant relevance to members of the Plan

The Trustee considers a significant vote as one which the voting manager deems to be significant.

Legal and General Investment Management ("LGIM")

<u>Voting policy</u>

LGIM uses proxy voting adviser Institutional Shareholder Services ("ISS") to execute votes electronically and for research. This augments LGIM's own research and proprietary ESG assessment tools. LGIM do not outsource any part of the voting decisions to ISS. LGIM has a custom voting policy in place with ISS. This seeks to uphold what LGIM considers to be best practice standards companies should observe. LGIM can override any voting decisions based on the voting policy if appropriate. For example, if engagements with the company have provided additional information. LGIM also receives research reports on UK companies in the FTSE All-Share index from the Institutional Voting Information Service ("IVIS"), the research team of the UK Investment Association.

The table below shows the voting statistics for LGIM's Developed Balanced Factor Equity Fund for the year to 31st March 2022.

Number of resolutions eligible to vote on over the period	11,660
% of resolutions voted on for which the fund was eligible	99.84%
Of the resolutions on which the fund voted, % that were voted against management	19.11%
Of the resolutions on which the fund voted, % that were abstained from	0.19%

Source: LGIM

Voting example

In June 2021, LGIM voted against a resolution to elect the Chief Executive Officer ("CEO") of retailer Target Corporation to the role of Chair of the company's board as well. It is LGIM's policy to advocate for the separation of CEO and board chair roles. LGIM believes these two roles to be substantially different, requiring distinct skills and experiences due to risk management and oversight. Further, LGIM expects a CEO or non-executive director not to hold several board positions to ensure they can undertake their duties effectively. 93.7% of shareholders voted in favour of the resolution. LGIM considered this vote to be significant because it is an example of how it applied and escalated its voting policy on the topic of combined board chair and CEO role.

Engagement policy

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:
1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

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

More information can be found on LGIM's engagement policy https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf.

At the time of writing, LGIM had not provided engagement examples for the fund. The Trustee's investment advisor, Aon, has engaged at length with LGIM regarding its lack of strategy level engagement reporting. LGIM has confirmed it is working towards producing this.. The example provided below is at a firm level, i.e. it is not specific to the fund the Plan is invested in.

Engagement Example (firm level)

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

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

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

Engagement activity – fixed income funds

Whilst voting rights are not applicable to non-equity mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and so debt issuers have a vested interest to make sure that investors are happy with the issuer's strategic direction and policies. Whilst upside potential may be limited in comparison to equities, downside risk mitigation and credit quality are critical parts of the investment decision-making process.

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

Aon Investments Limited – Diversified Liquid Credit Fund

The Trustee invests in the Fixed Income securities through their arrangement with AIL in its fund of fund approach via the Diversified Liquid Credit Fund. As this is a fund of funds, AIL invests in a number of underlying funds on the Trustee's behalf.

The Trustee has reviewed the AIL Annual Stewardship Report and is content that AIL is using its resources to appropriately influence positive outcomes in the strategies in which it invests.

Aon Solutions UK Limited ("Aon") also actively engages with investment managers and this is used to support AIL in its fiduciary services. Aon launched its Engagement Programme early 2020, a cross asset class initiative which brings together members of Aon's manager research team and responsible investment specialists to help promote manager engagement with the needs of the fund's investments in mind.

In Q3 2021, Aon was confirmed as a signatory to the UK Stewardship Code. With one-third of applicants failing to reach signatory status, this achievement confirms the strength and relevance of stewardship activity undertaken on behalf of the Trustee by Aon (and AIL).

Two relevant examples relating to the Diversified Liquid Credit fund have been included below, with other fund examples excluded for brevity.

Schroders plc ("Schroders") – International Selection Fund ("ISF") Securitised Credit Fund

Engagement policy

Schroders engages on a broad range of topics including climate risk. Schroders believes that engagement provides it with an opportunity to influence company interactions with its stakeholders; ensuring that the companies it invests in are treating their employees, customers and communities in a responsible way.

In Schroders's ISF Securitised Credit Fund, cashflows from various loans, such as mortgages, car loans and credit card payments, are grouped together into bonds known as asset-backed securities. In its engagements, Schroders engages with the managers of the underlying loan products. Schroders has developed questionnaires specifically for collateralised loan obligation managers and commercial mortgage-backed securities managers, which it issues as part of its engagements. The information received is incorporated into its manager due diligence.

At the time of writing, Schroders did not provide fund-level engagement examples. Aon and AIL, will raise this issue with Schroders at their next meeting. The example provided below is at a firm level, i.e. it is not specific to the fund the Plan is invested in.

Engagement example (firm level)

In 2021, Schroders engaged with a number of FTSE 100 companies to inform them that, from 2022 onwards, it will be using its shareholder votes to apply pressure on firms that have failed to meet board diversity targets.

Schroders's believes that diversity is important for a company's long-term strategy and success. Further, this will allow for more constructive debate of different views as well as a better representation of wider stakeholders.

Schroders engaged by sending out letters to companies. Since sending out these letters, 25 companies acknowledged receipt, 15 provided a substantial response and one has since appointed a non-white director to its board. Schroders will monitor the progress of companies on this issue.

Barings LLC ("Barings") – Active Short Duration

Engagement policy

Barings's engagements involve interactions with current or potential investees on ESG issues. Engagements are undertaken to influence ESG practices and improve ESG disclosure. Through its engagement, Barings aims to enhance the performance of its investments for the benefit of its clients. Barings believes that value is derived from transparent communication with the entities in which it invests, coupled with the expertise and discretion of its experienced investment professionals.

Engagement example

In 2021, Barings engaged with an issuer about gender diversity of the company's board. The issuer said it was looking to include a female director among the future members. The issuer also stated that the Board of Directors was undergoing a review by the management. Barings encouraged the issuer to provide updates on this issue. Barings will continue to monitor developments.

Engagement activity – Hedge Fund and Real Estate

The Trustee acknowledges that the ability of hedge fund and real estate managers to engage with and influence investee companies may be less compared to equity managers. However, it is encouraging to see from the information they provided for the EPIS that the managers are aware and active in their role as stewards of capital.

The following section demonstrates some of the engagement activity being carried out by the Plan's hedge fund and real estate managers over the year.

Blackstone Group ("BAAM") – Blackstone Partners Offshore Fund

Engagement policy

Blackstone Alternative Asset Management ("BAAM") is the Hedge Fund Solutions business of Blackstone. The majority of BAAM's assets under management are invested in third-party hedge fund managers. It considers ESG factors during its due diligence process via front and back-office reviews and may choose not to invest in or to redeem from an underlying manager due to ESG concerns. BAAM seeks to engage underlying managers to make sure they are aware of the value of ESG integration in their portfolios, as applicable to their investment strategies, and emphasise the importance of ESG integration to BAAM's investors.

BAAM has conducted over 100 conversations with managers to educate them on ESG integration and to encourage them to adopt an authentic ESG policy. BAAM has helped and continue to help numerous managers in this regard, by hosting ESG roundtable events and by providing ESG resources, including guides, templates, and information around third-party rating providers. BAAM tracks the effectiveness of these engagement efforts through managers' adoptions of ESG policies and enhancements of ESG programs, with monthly reports provided to its senior management.

At the time of writing, Blackstone Group did not provide fund-level engagement examples. Aon will raise this issue with Blackstone Group at its next meeting. The example provided below is at a firm level, i.e. it is not specific to the fund the Plan is invested in.

Engagement example (firm level)

In seeking to maximize value for investors, BAAM's ESG team held one-on-one calls with an equity manager to discuss ESG integration and policy adoption. BAAM shared ESG resources, including ESG best practices and an ESG policy guide. BAAM also provided feedback on the manager's ESG program. Finally, BAAM convened an ESG roundtable event for equity managers which provided an opportunity for the manager to engage with industry peers and learn more about ESG integration through specific case studies run by a sustainability consultant.

The manager ultimately adopted an ESG policy and program at the management company and investment process level. BAAM will continue to serve as an ESG resource for the manager.

Engagement example (firm level)

Blackstone built a platform of companies to design and execute decarbonization programs for companies within the scope of the Emissions Reduction Program.

One of Blackstone's portfolio companies, Shya Hsin (Asia-based cosmetic packaging company), has set an energy savings target of more than 25% in five years. Through the implementation of Blackstone's "Fast Find and Fix" recommendations, a one-to-three-day engineering assessment to identify energy efficiency improvements, the company reduced energy spend by 6% in terms of energy savings per production value in one year. Additionally, Shya Hsin has achieved savings of 23% energy consumption per unit of compressed air in one building. Finally, the company is planning to install over five megawatts of solar power on the company plant's rooftops.

Further detail can be found here: https://www.blackstone.com/wp-content/uploads/sites/2/2021/11/2021-ESG-Update_An-Integrated-Approach-to-ESG.pdf?v=1642193693

Blackstone Real Estate – Blackstone Property Partners LP

Engagement policy

Blackstone has adopted a specific Responsible Investment policy applicable to all real estate investments.

The Blackstone Real Estate ESG Framework builds upon the Blackstone Responsible Investing Policy which defines ESG considerations as integral components of investment due diligence and ongoing monitoring of investments to avoid risk and enhance value for our investors, The Framework aligns with global ESG reporting standards such as GRESB, the Global Real Estate Sustainability Benchmark.

The intent of the Blackstone Real Estate ESG Framework is to guide consistent application, design and implementation of ESG strategy across our portfolio companies and operating partners in alignment with Blackstone Real Estate's ESG priorities.

Blackstone Real Estate expects their portfolio companies and operating partners to develop a three-year strategic ESG roadmap in alignment with the priorities and best practices outlined in their Framework which includes aspects of integration, engagement and reporting. Further details can be found here: https://bppeh.blackstone.com/wp-content/uploads/sites/9/2022/03/BX-RE-ESG-Framework-October-2021.pdf

At the time of writing, Blackstone Group did not provide fund-level engagement examples. Aon will raise this issue with Blackstone Group at its next meeting. A firm level example was given above.

Brookfield Asset Management ("Brookfield") – Brookfield Real Estate Finance Fund V

Engagement policy

Brookfield has a strong commitment toward ESG integration and details of its policy are set out in the following link: https://bip.brookfield.com/bip/responsibility.

Brookfield's ESG principles are embedded throughout its operations to ensure that its business model will be sustainable well into the future. During 2021, it has advanced several of its key initiatives which inform its overall approach to ESG and associated policies. Brookfield proactively engages with its investors and other stakeholders to understand their complex and evolving needs.

For example, over 2021, Brookfield expanded its UK detection and prevention policies for modern slavery and human trafficking to cover its entire global footprint. Brookfield has additional policies and procedures in place to identify and address risks presented by modern slavery. These policies include:

- Code of Conduct
- Vendor Management Program, including the Vendor Code of Conduct
- ESG Due Diligence Guidelines
- ABC Program
- Anti-Money Laundering Policy
- Whistleblowing Program

Brookfield also added a separate human rights and modern slavery risk assessment to its ESG investment due diligence process with the objective of mitigating the risks of modern slavery and human rights violations for potential investments, including supply chains. Where required, Brookfield performs deeper due diligence, working with internal experts and third-party consultants as needed.

Engagement example (firm level)

In 2021, Brookfield's Real Estate Group launched a program called Partner to Empower. This was designed to support Black and minority business owners within Brookfield's retail locations. The program offers financial support along with guidance and assistance to help the business owners build strong networks.

In the first year of operation 40 businesses within the South-eastern United States participated in the program. Brookfield's long-term goal is to expand the program nationally across the United States, aiming to support 250 new store openings and 750 new jobs.

Further detail can be found here: https://www.brookfield.com/sites/default/files/2022-06/BAM_ESG_Report_2021_0.pdf

In summary

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

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

- *The Trustee expects the Plan's investment managers to use their influence as major institutional investors to exercise the Plan's rights and duties as a stakeholder including voting, along with — where relevant and appropriate — engagement with underlying investee companies.*
- *The transparency offered by the Plan's investment managers for engagements and voting should be relevant to the Plan and include methods of engagement, process of escalation, details on votes against management (especially when deemed to be significant) or when the voting policy has differed from that of the Trustee.*
- *If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policies, the Trustee will engage with the manager and seek a more sustainable position, though it may ultimately replace the manager if such a position cannot be reached.*

Plan stewardship activity over the year

Training

Over the year, the Trustee had responsible investment training from their investment advisor, which provided the Trustee with updates on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making.

Updating the Stewardship Policy

During the training sessions and throughout the year, the Trustee has been proactive to ensure the Scheme appropriately updated the Stewardship policy in the SIP.

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers, the Trustee also reviewed and expanded the Stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a monitoring reports being provided to the Trustee by Aon. Aon regularly monitors the managers and provides the Trustee with a rating for each manager. One sub-component of these ratings is an ESG rating The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate 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 managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the 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.

Manager Appointments

The Trustee has an action plan that includes a review of its existing and newly appointed fund managers. Specifically, as part of the liquid credit manager selection, the manager's ESG credentials were actively considered by the Trustee to ensure they were aligned with the Scheme's policies.

Discussions with the sponsor to align applicable ESG objectives

The views of the sponsor, where applicable, have been considered when developing the Scheme's ESG objectives. For example, this includes manager appointments and changes to the SIP. Furthermore, the Trustee and Sponsor representatives have jointly received training, delivered by Aon, on regulatory matters relating to stewardship and responsible investment in a broader context. In September, following consultation with the Sponsor, the Trustee implemented revised wording and updated the SIP to meet the regulatory requirements.

Voting and Engagement activity

The Plan invests in a range of pooled funds and the Trustee has delegated the voting and engagement activity in respect of these funds to the investment managers.

The Trustee acknowledges that the concept of stewardship may be less applicable to some of its assets, particularly for short-term money market instruments, gilt and liability-driven investments. As such the Plan's investments in these asset classes are not covered by this engagement policy implementation statement.

Information on the voting and engagement activity carried out on behalf of the Trustee over the Plan year regarding the Plan's other investments is laid out in the sections below.

Equity

Over the year, the Plan invested in the Legal & General Investment Management Developed Balanced Factor Equity Index Fund.

LGIM voting policy

LGIM make use of the Institutional Shareholder Services proxy voting platform to electronically vote and augment their own research and proprietary ESG assessment tools, but do not outsource any part of the strategic decisions. It has put in place a custom voting policy with specific instructions that apply to all markets globally, which seeks to uphold what it considers to be the minimum best practice standards all companies should observe. LGIM retain the ability to override any voting decisions based on the voting policy if appropriate, for example, if engagements with the company have provided additional information.

Developed Balanced Factor Equity Index Fund	
Number of resolutions eligible to vote on over the year	15,435
% of resolutions voted on for which the fund was eligible	100.0%
Of the resolutions on which the fund voted, % that were voted against management	17.9%
Of the resolutions on which the fund voted, % that were abstained from?	0.2%

Voting example

At an extraordinary general meeting ("EGM") on 18 September 2020, LGIM voting against the resolution to amend the directors' remuneration policy proposed by Pearson. This resolution sought shareholder approval to grant a co-investment share award, an unusual step for a UK company; if this resolution was not passed the proposed new Chief Executive Officer ("CEO") would not take up the role. Many shareholders were keen for the company to appoint a new CEO but were not happy with the plan being proposed. Shareholders were not able to vote separately on the two distinct items and felt forced to accept a less-than-ideal remuneration structure for the new CEO.

LGIM spoke with the Chair of the Board earlier in 2020 on the Board's succession plans and progress for the new CEO. LGIM discussed the shortcomings of the company's remuneration policy. LGIM also spoke with the Chair directly before the EGM and relayed their concerns that the performance conditions were weak and should be re-visited to strengthen the financial underpinning of the new CEO's award. LGIM also asked that the post-exit shareholding requirements were reviewed to be brought into line with LGIM's expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy

The outcome of the vote was that 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO. Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.

The vote was deemed significant given the unusual approach taken by the company and LGIM's outstanding concerns.

LGIM engagement policy

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,

2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public Policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

More information can be found on LGIM's engagement policy here.

Engagement example

An example of LGIM's engagement was with Proctor and Gamble ("P&G"). P&G uses both forest pulp and palm oil as raw materials within its household goods products. A key issue identified was that the company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Furthermore, two of their suppliers of palm oil were linked to illegal deforestation.

Following a resolution proposed by another stakeholder, Green Century Capital Management, that P&G should report on their effort to eliminate deforestation in their supply chain, LGIM engaged with P&G, Green Century and with the Natural Resource Defence Counsel to fully understand the issues and concerns.

From this engagement, LGIM decided to support the resolution as, although P&G introduced a number of measures to ensure their business does not contribute to deforestation, LGIM felt P&G was not doing as much as it could. LGIM has asked P&G to respond to the CDP (formerly Carbon Disclosure Projects) Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from Forest Stewardship Council certified sources.

More detail on this stewardship example can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/cg-quarterly-report.pdf

Fixed Income

Over the year the Trustee held investments in fixed income, initially via the Franklin Templeton Flexible Alpha Bond Fund. Over the Plan year, assets were disinvested from this fund and subsequently invested via a fund of fund approach managed by Aon Investments Limited ("AIL").

Whilst voting rights are not applicable to non-equity mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and therefore a vested interest on the part of debt issuers to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited, in comparison to equities, downside risk mitigation and credit quality is a critical part of investment decision-making. The following examples demonstrate some of the engagement activities being carried out on behalf of the Plan over the year.

Aon Investments Limited – Diversified Liquid Credit Fund ("DLC")

The Trustee invests in Fixed Income securities through their arrangement with Aon Investments Limited (AIL) in their fund of fund approach via the Diversified Liquid Credit Fund. As this is a fund of funds, AIL invests in a number of underlying funds on the Trustee's behalf.

The Trustee has reviewed the AIL Annual Stewardship Report and is content that AIL is using its resources to appropriately influence positive outcomes in the strategies in which it invests.

AIL have undertaken a considerable amount of engagement activity over the period. AIL held around 35 Environmental, Social and Governance ("ESG") specific "deep-dive" meetings in 2020 with most of their equity and fixed income managers across all delegated funds in which AIL's clients invest. At these meetings, AIL discussed the voting and engagement activities undertaken by the investment managers during calendar year 2019, highlighting areas of improvement and discussing manager strategy in the area of RI moving forward. Similar meetings have been ongoing through the beginning of 2021.

Aon Solutions UK Limited ("Aon") also actively engage with investment managers and this is used to support AIL in their fiduciary services. We have included below information on underlying managers held within the AIL fund.

Robeco (within DLC)

Robeco is particularly focused on improving business conduct and function of the companies it invests in. Robeco carry out extensive baseline research on the companies it invests in, measure changes in company performance relative to engagement objectives and allow three years for engagement. Any cases closed unsuccessfully are considered for potential exclusion.

In line with this focus, over the last few years, Robeco has engaged with senior employees of a multinational oil company various times. The focus of the engagement was that if the world fails to limit global warming to well below 2 degrees Celsius, then the world, and therefore industries, will be increasingly exposed to significant transitional and physical risks, both acute and chronic.

The company announced their aim to reduce the net carbon footprint of its energy products by around half by 2050. Robeco was supportive but continued to push the company to set short term targets and link these to remuneration packages. In addition to announcing their long-term goal, the manager agreed a joint statement with the company who agreed to start setting shorter term targets. The manager believes the company now leads the sector in terms of their planning and positioning for the energy transition.

Schroders (within DLC)

At a firm level, Schroders is currently engaging with banks on their fossil fuel financing. Schroder's credit team, along with a number on equity teams, selected around 50 banks in Europe, North America and Asia for deeper analysis and engagement. Following each engagement, Schroders highlighted three to four objectives it would like the bank to work on over the next 12 months. Examples included:

Development of a commitment to align the banks financing activities with the goals of the Paris agreement, plus related milestones and targets.

Reviewing and strengthening the bank's fossil fuel policies in line with the latest science and/or good practice

Development of the Task Force on Climate-related Financial Disclosures /climate risk reporting, including disclosure of additional climate metrics.

For banks that have already made progress in the areas, their discussions have focused on the robustness and evolution of their measurement and target-setting methodologies, in relation to the bank's commitment to align its financing activities with the Paris Agreement. Schroders have said it is still too early to assess the impact of their discussions, however it has had good response from banks so far. Out of the 50 banks contacted over the last 6 months, it has met with 21 by the end of March 2021.

Aegon (within DLC)

Through AIL, the Plan invests in European Asset Backed Securities ("ABS") managed by Aegon. For Aegon, ESG analysis forms part of its risk mitigation analysis. This is at the collateral, the originator and country of domicile levels, where each level is scored between one (best) and five (worst), with a weighted average taken to form their overall ESG score for the ABS bond.

Aegon's engagement efforts can be categorized according to three buckets; policy-based, thematic and product support. The reasons Aegon start these engagements include seeking to:

- Improve performance and promote companies' long-term financial performance;
- Monitor, manage and mitigate investment risk;
- Better understand companies and set expectations on company management;
- Set goals and timeframes to meet, in order to reach compliance with Aegon's policies;
- Improve ESG disclosure;
- Maximise positive sustainability outcomes, including those related to the UN Sustainable Development Goals;
- Encourage the issuance of green, social and sustainable bonds for the purpose of investment participation and growing sustainable business practices.

At a firm level, Aegon have engaged with a steel company regarding climate change. The goal here was to develop a transition plan to reduce greenhouse gas emissions across the value chain, consistent with the Paris Agreement, and implement a climate governance framework. Aegon is part of an investor group that collaboratively aims to increase transparency around climate change.

Aegon sent an engagement letter on behalf of the Climate Action 100+ investor group and met with top executives of the company at its headquarters. Aegon also represented a group of investors in the company's annual general meeting in discussions on lobbying practices, science-based targets and scenario planning and then followed-up after the release of the company's first climate action report. The CEO then committed to join the Energy Transitions Commission and announced that their first Carbon Action report is expected to include scenario analysis.

Barings (within DLC)

In 2020, Barings launched a proprietary system that allows their investment teams to record and monitor their engagements with companies across asset classes. While it has not tracked many engagements by strategy or portfolio historically, Barings expect this system to materially improve their reporting and transparency around engagements going forward.

Barings regularly transacts with a particular ABS lender and has a strong relationship with management. Barings chose to take a recent opportunity to engage with this issuer on what is becoming a paramount consideration for Barings when it looks to invest in ABS. Barings believe that additional transparency and disclosure in ABS deals is crucial for investors and the market as a whole. Barings recommended that this issuer take a similar approach set by the European Union's risk retention regulation of increased transparency and reporting. Barings encouraged this consumer issuer to take on the additional burden of these requirements believing that the market would benefit from greater transparency. The issuer did not have to do this, as the degree of much of this regulation is not mandated in the United States. It has taken this feedback seriously and have incorporated this additional dimension in their recent deals. This gave Barings confidence and conviction to continue to invest with this issuer, and hope to continue to influence other issuers through engagement to champion the efforts of greater transparency for ABS investors, similar to what is already in practiced in Europe.

Insight (within DLC)

Insight proactively engages on industry and regulatory issues that have implications for their clients and the wider market. These include the transition from LIBOR (the benchmark interest rate at which major banks lend to one another), central clearing for European pension schemes, and the UK's Retail Price Index (RPI) reform.

Over 2020, Insight engaged with brewer and pub retailer Marston's Brewery ("Marston") on cost reduction measures, governance and food safety. Insight identified various potential ESG risks to Marston's business; some heightened by the forced pub closures related to Covid-lockdowns. As part of Insight's process, Insight engaged with Marston to evaluate how it was planning on mitigating these and other risks. The risks identified were:

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

Insight will continue to monitor Marston, however are comfortable maintaining their position based on the engagement and improvements made.

Franklin Templeton (divested over Plan year)

Franklin Templeton consider two types of engagement:

1. "Engagement for change" – purposeful dialogue with defined objectives to influence positive change.
2. "Engagement for information" – forms part of its issuer monitoring. This adds value for both parties. It enables Franklin Templeton to build relationships with the companies it invests in, to communicate to issuers the factors that are important to its and its clients, and helps it achieve a more complete understanding of an issuer's strategy and practices.

Franklin Templeton have invested resources in developing and implementing a centralised engagement tracker on a shared platform, available to all Franklin Templeton's investment equity and credit teams. The tracker improves its recording and monitoring of engagements, allowing investment teams to focus on key milestones and outcomes achieved.

How Franklin Templeton's investment teams approach engagement varies between issuers, and will depend on the objectives it sets. Teams may utilise a combination of written communication, in person or virtual meetings, visits to operations, and proxy voting.

There are three main stages in the engagement process:

1. Opened: Franklin Templeton identify material issues and set out its objectives, whether this is an engagement to instigate change or gather further information. It then makes the initial engagement approach to the company.
2. In progress: Once the initial approach is acknowledged, Franklin Templeton set out a plan for the engagement, whether the issue will involve meetings in person (or over video conference), and whether it is an issue to be voted on.

3. Closed: Not all engagements will have successful outcomes – Franklin Templeton differentiate between resolved (engagement where our objectives have been met) and unresolved. Where an issue remains unresolved, analysts may seek to engage in a different manner – for example, addressing the issue through voting action, or adjusting the investment thesis. Franklin Templeton also mark the engagement as closed when the reasons for engagement are no longer applicable – for example, when they have divested from the company.

Alternatives

The Plan also invests in the following hedge fund and real estate strategies:

Manager	Fund
Blackstone Group	Blackstone Partners Offshore Fund
Blackstone Group	Property Partners Fund US
Brookfield Asset Management	Real Estate Finance Fund V

Blackstone

Both Blackstone Alternative Asset Management LP ("BAAM") and Blackstone have ESG Committees.

As of October 2020, Blackstone has a 19-person ESG Steering Committee that sets the firm's ESG strategy and policy and that is composed of professionals from across the firm's business units and functional areas.

BAAM's ESG Steering Committee includes senior representatives from BAAM's Investment, Institutional Client Solutions, Business and Financial Evaluation, and Legal and Compliance teams. BAAM's ESG Steering Committee meets quarterly and discusses a variety of ESG-related topics, including, as applicable: a review of BAAM investments; investor requests; market trends and newly adopted or pending legislation, rules, and regulation; and revisions and/or amendments to BAAM's Responsible Investing Policy.

In addition, BAAM has three professionals who dedicate half of their time to the firm's ESG initiatives and lead engagement with underlying third-party managers.

While ESG integration is a priority for BAAM, BAAM does not pursue ESG-based investment strategies, make or restrict direct investments on the basis of ESG, and BAAM does not require that its underlying managers have ESG policies or programs.

<u>Engagement Example – Blackstone Partners Offshore Fund</u>

In 2020, BAAM and Blackstone engaged with an event driven manager regarding ESG implementation. BAAM recognises the value an active evaluation of certain ESG components of its investments can provide as it seeks to protect and grow investors' assets while managing risk.

The manager, an event driven manager within BPS, formally adopted an ESG policy in September 2020. The manager leveraged BAAM's resources when drafting their ESG policy and sought BAAM's feedback on their ESG program development. As a result of BAAM's engagement, the manager began incorporating ESG considerations into the investment process across products. The manager credits increased performance of companies with strong ESG practices as a primary driver to incorporating ESG into the investment process.

This example aligns with BAAM's Responsible Investing Policy. It believes that adequate consideration of ESG factors for potential investments enhances assessment of risk and helps identify opportunities for transformation at companies. Consequently, it believes that a comprehensive ESG program, aside from being the right thing to do, can drive value and enhance returns for its investors. It also believes that understanding ESG factors helps it to understand trends and how they will shape demand and markets in years to come.

Brookfield

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

The Trustee welcomes the fact that, in February 2020, Brookfield became a signatory to the Principles for Responsible Investment ("PRI")[1], the leading proponent of responsible investment. Brookfield expect their 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.

In summary

Based on the activity over the year by the Trustee and its service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee note that most of its applicable asset managers were able to disclose strong evidence of voting and engagement activity.

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

[1] PRI | Home (unpri.org)