

# Engagement Policy Implementation Statement

## The Unite Pension Scheme (“The Scheme”)

### Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that Trustees produce an annual statement called an Engagement Policy Implementation Statement (“EPIS”) which outlines the following:

- Explain how and the extent to which Trustees have followed their engagement policy which is set out in the Statement of Investment Principles (“SIP”).
- Describe the voting behaviour by or on behalf of Trustees (including the most significant votes cast) during the Scheme year and state any use of third-party provider of proxy voting services.

The EPIS has been prepared by the Unite Pension Scheme Trustee Limited (“the Trustee”) and covers the Scheme year, 1 October 2020 to 30 September 2021. This is the second EPIS produced by the Trustee.

### Executive summary

Based on the reported activity over the year by the Trustee and its investment managers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice.

The Trustee notes that some of its investment managers were unable to disclose information in due time, while others show adequate evidence of voting and/or 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 Scheme through considered voting and engagement.

### Scheme stewardship policy summary

The below bullet points summarise the Scheme’s stewardship policy in force over the Scheme year to 30 September 2021.

The full SIP can be found here: <https://www.unitepensions.org/Members/Documents>

- The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests.
- The Trustee wishes to ensure that its influence as a share owner is used to safeguard and raise standards of corporate governance and social and environmental management within its investee companies. It believes that this will contribute to raising long-term financial returns. This will primarily be done through voting and engagement with investee companies. However, in extreme circumstances, the Trustee would consider disinvestment as an option.
- In formulating the Scheme’s approach to voting and engagement, the Trustee has regard to the interests of its beneficiaries.
- The Trustee reviews the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of its policies to those of the Scheme’s asset managers and ensure its managers, or other third parties, use their influence as major institutional investors to carry out the Trustee’s rights and duties as a responsible shareholder and asset owner.

- As part of its delegated responsibilities, the Trustee expects the Scheme's investment managers to:
  - Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets;
  - Exercise the Trustee's voting rights in relation to the Scheme's assets.
- The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser regarding any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

## **Scheme stewardship activity over the year**

### **Climate risk management & TCFD training and actions**

Over the year, the Trustee had responsible investment training sessions with their investment adviser, which provided the Trustee with updates on the evolving regulatory requirements, predominantly in relation to that of the Task Force for Climate-related Disclosures (TCFD). The importance of stewardship activity and appropriate consideration of ESG factors in investment decision making continued to be a focus of the Trustee.

In June 2021 the Trustee received training on climate change and TCFD. Further training was provided in August 2021 in relation to the regulatory requirements of TCFD applicable to the Scheme and an action plan was proposed. The timeline to address the TCFD pillars was accelerated to ensure compliance ahead of regulatory requirements.

The Scheme is making progress towards meeting the requirements as set out in the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD establishes a set of eleven clear, comparable and consistent recommended disclosures about the risks and opportunities presented by climate change. The increased transparency encouraged through the TCFD recommendations is intended to lead to decision-useful information and therefore better informed decision-making on climate-related financial risks.

Aligning the Scheme to the TCFD can be a long process and requires careful planning. Aon are currently working with the Trustee to complete the relevant work.

### **Manager ESG credentials and carbon reporting**

In February 2021 the Investment Sub Committee examined the ESG statistic of its managers including the carbon metrics of its equity managers, Janus Henderson and Neuberger Berman, using Aon's ESG dashboard.

### **Ongoing Monitoring**

Investment monitoring takes place on a quarterly basis with monitoring reports 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 able to highlight buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and, more specifically, how ESG considerations are included in 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.

Mirova, Pictet, JPM, PIMCO, Newton, LGIM and BlackRock have all presented to the Investment Sub Committee over the year. Their presentations have included descriptions of how they have integrated ESG considerations into portfolio construction as well as examples of engagement and stewardship.

### **Manager Appointments**

Over the year the Trustee has committed capital to the Mirova Energy Transition 5 Fund and also switched one its PIMCO mandates to be more ESG aligned, which has led to a reduction in the Scheme's carbon exposure.

### **Discussions with the sponsor to align applicable ESG objectives**

The views of the sponsor, where applicable, have been sought as part of the Trustee's ESG considerations. The Trustee have a standing item at Investment Sub Committee meetings where any engagement initiatives from the sponsor and Trade Union Share Owners (TUSO) are considered and have been supported.

### **Voting and Engagement activity – Equity and Diversified Growth Funds**

Over the year, the material equity and diversified growth funds held by the Scheme were:

Janus Henderson Global Investors	Global Equities, regional funds
Neuberger Berman	Emerging Equity
Newton Investment Management Limited	Real Return Fund
BlackRock	Dynamic Diversified Growth Fund

All managers use proxy voting organisations for various services that may include research, vote recommendations, administration and vote execution.

In this section there is a summary of voting information and examples of significant voting activity for each of the Scheme's relevant managers. Investment managers provided examples of 'significant' votes they participated in over the period. Each manager has their own criteria for determining whether a vote is significant.

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 Scheme

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

### **Janus Henderson**

#### **Voting**

Janus Henderson uses third party proxy voting advisory firm, Institutional Shareholder Services ("ISS"), to provide voting recommendations based upon Janus Henderson's corporate governance policies. Voting decisions are also implemented electronically via the ISS ProxyExchange voting platform.

Janus Henderson exercises the voting rights on behalf of clients at meetings of all companies in which it has a holding. The only exception to this is meetings where share blocking or other restrictions on voting are in place.

Janus Henderson states that, as an active manager, its preference is to engage with management and boards to resolve issues of concern rather than to vote against shareholder meeting proposals. Janus Henderson believes that this approach is more likely to be effective in influencing company behaviour.

Janus Henderson seeks to engage with companies throughout the year and, in the build up to the annual shareholder meeting, to discuss any potentially controversial agenda items. Where Janus

Henderson believes proposals are not in the shareholder's interest or where engagement proves unsuccessful, it will vote against it.

Key voting decisions are made by fund managers, with support provided by in-house corporate governance specialists.

Janus Henderson publicly disclose voting records on its website. Information can be found at: <https://www.janushenderson.com/ukpa/content/responsible-investment>

The table below shows the voting statistics for Janus Henderson equity funds split by region for the period to 30 September 2021.

	North American	Japan	UK	Asia Pacific-ex Japan	European
Number of resolutions eligible to vote on over the period	7,529	4,018	8,056	3,558	7,260
% of resolutions voted on for which the fund was eligible	99.68%	100%	100%	100%	93.43%
Of the resolutions on which the fund voted, % that were voted against management	6.82%	3.14%	1.54%	12.11%	8.14%
Of the resolutions on which the fund voted, % that were abstained from	0.01%	0%	0.07%	0.28%	0.37%

#### Voting Example:

In October 2021, Janus Henderson voted against management of AGL Energy Limited in relation to approving a remuneration report. Janus Henderson stated that a vote against this is warranted for several reasons, including an ongoing absence of specific and quantified disclosure of Short-Term Incentive targets; a further reduction in the Return on Equity threshold and maximum vesting range in the Long Term-Incentive grant; continued increases in the chairman's remuneration which is well above the market cap and peer medians. The resolution passed.

#### Engagement

Janus Henderson's primary route for company engagement on stewardship-related issues is through regular meetings its fund managers have with the companies in which they invest. Janus Henderson's fund managers hold thousands of company meetings each year. Meetings cover a wide range of topics including strategy, capital allocation, company performance, risk, management succession, board composition, and also environmental and social issues. Investment teams are supported by Janus Henderson's in-house Governance and Responsible Investment Team.

Janus Henderson states that it takes an active approach to communicating its views to companies and seeking improvements where it believes there are shortcomings; for example: in performance, or when a company has failed to apply appropriate standards, or to provide adequate disclosure. Janus Henderson will engage in dialogue with the company as needed.

In most cases Janus Henderson begins engagement with the executive management team. Where it is unable to resolve issues, the next step in escalation is to address concerns directly to the Chairman or Senior Independent Director. Where direct company engagement proves unsatisfactory, Janus Henderson states it may pursue other actions, such as communication through the company's brokers, joint intervention with other shareholders or voting against board proposals.

#### Engagement Example:

Janus Henderson engaged with McDonalds via numerous calls to discuss employee rights, protections, and the role of Headquarters in holding franchisees accountable. It focused the discussion on restaurant labour, and specifically, recent harassment/abuse allegations and what McDonalds is doing to fortify its

franchisee auditing process. Janus Henderson stated that it is a complex topic for franchisors because the employees at franchised units are not legal employees of McDonalds. However, given the company's scale, public scrutiny should be expected and highlighted that what happens inside every restaurant reflects on the brand. Janus Henderson pushed the company to do more to codify brand standards, strengthen the franchisee audit process, and ultimately hold franchisees accountable when they fail their employees or customers.

Janus Henderson's message to management is that McDonalds has an opportunity to lead on this issue and establish best practices for franchised restaurant systems globally. It intends to continue to push management to embrace this opportunity.

## Neuberger Berman

### Voting

Neuberger Berman has developed custom proxy voting guidelines that comprehensively lay out its voting positions on corporate governance, environmental, and social issues. Neuberger Berman believes that proxy voting is an integral aspect of investment management and as such, has designated a governance & proxy committee ("Proxy Committee").

Neuberger Berman has appointed a third-party provider, Glass Lewis, as its adviser and voting agent to:

- provide research on proxy matters;
- vote proxies in accordance with Neuberger Berman's custom voting guidelines (or as otherwise instructed) and submit such proxies in a timely manner;
- handle other administrative functions of proxy voting;
- maintain records of proxy statements received in connection with proxy votes and provide copies of such proxy statements promptly upon request;
- maintain records of votes cast.

While Neuberger Berman utilises research from Glass Lewis as supplementary data to help inform its analysis, voting decisions are determined by Neuberger Berman's custom voting guidelines and proprietary research.

The table below shows the voting statistics for Neuberger Berman' Emerging Equity fund for the period to 30 September 2021.

Number of resolutions eligible to vote on over the period	1,348
% of resolutions voted on for which the fund was eligible	95.5%
Of the resolutions on which the fund voted, % that were voted against management	10.0%
Of the resolutions on which the fund voted, % that were abstained from	4.9%

### Voting Example:

In May 2021, Neuberger Berman voted against a management proposal relating to remuneration for X5 Retail Group, a Russian food retailer. This is because Neuberger Berman believed X5 should refrain from discretionary pay-outs that do not comply with the company's remuneration policy and that are not subject to performance conditions. Neuberger Berman considered this vote significant due to the importance of the governance matter.

Neuberger Berman believed the supervisory board failed to provide sufficient disclosures regarding its remuneration decisions, for example it did not disclose specific targets against which bonuses were assessed. Neuberger Berman considered these disclosures to be crucial as they help shareholders assess whether the incentive plan and the board's decision to allow full pay-outs is appropriate.

The proposal passed with 77.4% of shareholder support. Neuberger Berman subsequently sold these shares in December 2021.

## Engagement

Neuberger Berman believes that engaging with investee companies is an essential part of being a long-term active owner and that engaging on ESG topics can improve performance and risk profile. Much of its engagement with companies arises from the investment due diligence process, but Neuberger Berman is increasingly focused on ensuring that the same attention and intensity are sustained throughout its stewardship of the asset.

Neuberger Berman has identified nine key governance and engagement principles focused on positively influencing corporate behaviours to drive long-term, economic value: strategy, incentives, board independence, shareholder representation, capital deployment, transparency and communications, risk management, environmental issues and social issues.

Neuberger Berman uses several methods of engagement including, but not limited to, company meetings, written communication, proxy voting, advance vote disclosure, and industry collaboration. For public equities, engagement activity can also occur in the form of shareholder activism, which may include, but is not limited to, communication with company management and boards, and recommendations for director candidates that could potentially lead to a formal nomination or a proxy contest.

### Engagement Example:

Neuberger Berman has been engaging with SK Telecom since 2019 to improve alignment between the company and its shareholders. SK Telecom is a Korean mobile telephone and internet application company with a complex shareholding structure typical of Korean large family-owned business.

Neuberger Berman engaged with various senior personnel on SK Telecom's capital allocation issue. A key aspect of this was the firm's large amount of treasury shares, which present a dilution issue for shareholders due to possible awards of stock-based compensation. Neuberger Berman and other institutional investors encouraged the company, along with numerous other Korean firms who also hold large treasury shares, to cancel these shares.

As a result of the engagement, SK Telecom agreed to cancel its treasury shares in 2021, which amounted to 10.7% of their existing share base. Neuberger Berman commended the company on its action.

## Newton

### Voting

Newton states that its approach to responsible investment is embedded in its investment process. Newton aims to support and enhance its investment rationale for a company through active engagement and by exercising its clients voting rights.

Newton uses third party provider ISS for administering proxy voting, as well as its research reports on individual company meetings.

Newton's responsible investment team reviews all resolutions for contentious issues, aided by advice from proxy research service providers. Newton may also decide to engage with the company or other interested parties for further clarification. In instances where Newton identifies potential conflicts of interest with its clients or the investee company, it follows the voting recommendations of ISS.

Newton does not maintain a strict proxy voting policy. Instead, it prefers to take into consideration a company's individual circumstances, its investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices.

Further information on Newton's policies can be found here: <https://www.newtonim.com/uk-institutional/special-document/responsible-investment-policies-and-principles/>

The table below shows the voting statistics of Newton's Real Return Fund for the period to 30 September 2021.

Number of resolutions eligible to vote on over the period	1,583
% of resolutions voted on for which the fund was eligible	98.6%
Of the resolutions on which the fund voted, % that were voted against management	15.2%
Of the resolutions on which the fund voted, % that were abstained from	0.0%

#### Voting Example:

In June 2021, Newton voted against a proposed compensation plan for members of the compensation committee of American multinational technology conglomerate, Alphabet Inc.

Newton was concerned that there was a lack of clarity around the structure of executive pay and it appeared to allow executives to be compensated irrespective of their performance. Newton deemed this to be a significant vote because it related to an important governance issue.

Although the vote passed, following the vote Newton learned that a majority of the voting rights are controlled by the company's executives. And it is Newton's understanding that the majority of the company's minority shareholders still retain fundamental concerns. Newton states it will continue to monitor Alphabet Inc.'s behaviour and vote in support of improvements to the company's governance structure and approach.

#### Engagement

Newton regularly meets with management teams of prospect companies, or ones in which it actively invests, to ensure the requirements of both management and investors are fully understood and aligned. These engagements cover the trading performance of the company and, where relevant, a discussion of ESG issues that could present material risks or opportunities.

Newton also aims to develop a better understanding of how companies navigate or plan to navigate ESG issues through its engagement with companies. It believes engagement can encourage improvement or change in how a company conducts itself, which in turn can protect and enhance investor value. Engagement may include direct dialogue or collective engagement with other investors, industry bodies, non-governmental organisations, academics or other specialists, who can provide valuable insight into an ESG issue or a company's activities.

Further information can be found here: <https://www.newtonim.com/canada/special-document/responsible-investment-policies-and-principles-us/>

#### Engagement Example:

At a firm level, over the reporting period, Newton engaged with CMS Energy Corporation, an American energy company that is focused on utility operations, on the topic of climate change. It had a meeting with the company to discuss renewable energy investment, coal-retirement planning and operational resilience.

The company's five coal-powered generators are due to be closed in 2023, 2033 and 2040. Newton highlighted that it appeared unlikely that coal plants would still be in use in the late 2030s. The company explained that the plant has 20 more years of economic life left and is due to close in 2040. Retiring early is expected to have material negative financial consequences.

CMS Energy Corporation emphasised that it is conducting scenario analysis and would be open to retiring coal early depending on the right alternatives becoming available. Newton requested more transparent disclosures on the consequences an accelerated transition plan could have on the business. Newton also emphasised that while the issue is complex and the impetus for change has to have the support of key stakeholders, the long-term risks around coal generation are significant.

As an outcome to the engagement, in the second quarter of 2021 the company released its Integrated Resources Plan and brought the closure date of four coal plants forward from 2040 to 2025. The

company also plans to accelerate the decarbonisation of utilities, aiming for 60% decarbonisation by 2025.

## BlackRock

### Voting

BlackRock uses the ISS electronic platform to execute its vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. BlackRock's voting decisions are informed by internally developed proxy voting guidelines, its pre-vote engagements, research, and the situational factors for each underlying company. Voting guidelines are reviewed annually and are updated as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

Over the reporting period, BlackRock has increased its level of firm wide reporting by publishing more voting bulletins with detailed information and rationale for its voting decisions. BlackRock deemed some of its votes to be significant based on a number of criteria, such as the level of public attention and impact of financial outcome.

The table below shows the voting statistics for BlackRock's Dynamic Diversified Growth Fund for the period to 30 September 2021.

Number of resolutions eligible to vote on over the period	11,818
% of resolutions voted on for which the fund was eligible	99.0%
Of the resolutions on which the fund voted, % that were voted against management	6.0%
Of the resolutions on which the fund voted, % that were abstained from	1.0%

### Voting Example:

In April 2021, BlackRock voted in support of the management proposal from for Vinci SA ("Vinci"), a French construction company, to hold an advisory shareholder vote on its environmental transition plan.

The purpose of the vote was to encourage shareholders to support the company's ambition and strategy. BlackRock voted in favour of the proposal since it provided a clear roadmap towards Vinci's stated climate ambitions and targets, a topic with BlackRock had been engaging with Vinci on for some time.

BlackRock will continue to monitor the company's progress on the environmental transition plan and hold its directors responsible by voting against the re-election of board members should it have concerns with planning, implementation or disclosures.

Further information on the vote can be found here:

<https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-vinci-apr-2021.pdf>

### Engagement

BlackRock considers engagement to be at the core of its stewardship efforts. It enables BlackRock to provide feedback to companies and build a mutual understanding about corporate governance and sustainable business practices. Each year, BlackRock sets engagement priorities to focus on the governance and sustainability issues it considers to be the most important for companies and its clients.

BlackRock's priorities reflect an emphasis on board effectiveness and the impact of sustainability-related factors on a company's ability to generate long-term financial returns. The BlackRock Investment Stewardship ("BIS") team's stated key engagement priorities include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, and company impacts on people.

More information can be found here: <https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf>



## Engagement Example:

In 2021, BlackRock engaged with BP Plc (“BP”), an oil and gas company, to discuss a shareholder proposal for the company to set and publish targets that are consistent with the goals of the Paris Climate Agreement. BlackRock encouraged BP to regularly monitor, review and report on its greenhouse gas (“GHG”) emissions across the company’s operations and on its use of its energy products.

BlackRock’s support for this resolution signals its belief that BP should continue to make progress in this area, both from a strategy perspective and in demonstrating the credibility of its targets. BlackRock believes that BP is already substantially aligned with the resolution and should continue to reduce its GHG emissions. BlackRock believes that progress will be essential to achieving support for the transition strategies of large energy companies.

## Engagement activity – Fixed Income and Real Estate Funds

The Scheme invests in a number of fixed income strategies, a real estate debt fund, and a liability driven investment (LDI) portfolio:

PIMCO	ESG Global Bonds
PIMCO	Diversified Income Fund
Pictet Asset Management Limited	Absolute Return Fixed Income Fund
Legal & General Investment Management	UK Core Plus
JPMorgan Asset Management	Multi Sector Credit Strategy
Nuveen Asset Management	Global Real Estate Debt Partners Fund II

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 is 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. Similarly, it is encouraging to see from the information they provided for the EPIS that the Scheme’s real estate manager is also aware and active in its role as a steward of capital.

Please note, LDI mandates do not meet the materiality criteria that requires inclusion in the EPIS and have therefore been omitted.

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

### Fixed Income Engagement (PIMCO)

As stewards of capital, PIMCO believes its size, scale and history as a premier fixed income manager give it a platform to engage with issuers and drive positive change.

PIMCO’s ESG credit research team leads its engagement efforts, in coordination with the broader credit research team of over 75 analysts. PIMCO’s ESG credit analyst team regularly engages with issuers on material ESG topics including climate change and related sustainability targets, human capital management, UN’s Sustainable Development Goals (“SDG”) alignment and best practices in Green/Social and Sustainability bond issuance. Its broader credit research team engages with the issuers on ESG topics that have the potential to impact credit performance in the near term.

PIMCO’s goal is to integrate engagement activities holistically into the ongoing discussions, led by its credit research and portfolio management teams, broadening the scope of questions beyond credit-specific considerations to include ESG concerns. PIMCO works collaboratively with issuers to encourage business practices which are favourable to its investment objectives. Between 1<sup>st</sup> January 2021 and 31<sup>st</sup> December 2021 PIMCO engaged with more than 1,500 issues on over 4,000 engagements on a range of topics.

In an ESG dedicated portfolio, like the ESG Global Bonds fund that the Scheme invests in, PIMCO aims to engage intensively with the issuers in the portfolio to help influence ESG policies and drive more sustainable business practices.

Engagement Example:

PIMCO engaged with one of the UK's largest housing associations. Even though it views the issuer as a leader on the environmental front, PIMCO saw an opportunity to further amplify impact.

The issuer's sustainability bonds are well aligned with SDG 11.1 and 11.6, which reflect commitment to both increasing access to housing and decreasing the environmental impact of cities. To advance activity, PIMCO engaged with the issuer on the green bond framework (e.g. carbon thresholds for eligibility criteria, energy performance levels) and discussed the importance of setting a net zero or science-based target. The issuer provided granular details across these factors and communicated a roadmap to achieve Zero Carbon New Homes by 2025.

The company successfully issued sustainability bonds and social bonds. One issue focuses on new construction, meeting the "Certified Sustainable Housing Label". This combines both environmental and social practices and was specifically developed for affordable housing companies (e.g., rent levels below local market average, energy efficiency).

PIMCO chose this as a significant example as it highlights its ongoing engagement with issuers that promotes best practice and alignment with investment objectives and SDGs.

### **Fixed Income Engagement (Pictet)**

Pictet engages on behalf of its long only, actively managed equity and corporate debt holdings. Pictet has a tiered engagement approach.

Tier 1) Targeted engagement – This involves regular and ongoing dialogue with a company as Pictet seeks to become a strategic partner of the companies in which it invests.

Tier 2) Collaborative engagement – Pictet takes part in collaborative engagement with other investors. Pictet recognises that there are occasions when it is better to act collectively rather than individually, particularly if Pictet's investment is relatively small.

Tier 3) Engagement service provider – The third tier of Pictet's engagement is conducted by an external service provider. This engagement is designed to address issues that arise in relation to a company's failings around governance issues and/or significant deviations from relevant international norms and standards, as well as human rights and environmental conventions.

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

Engagement Example:

Pictet engaged with Barclays Plc ("Barclays") throughout 2021. The objective of this engagement was to ensure Barclays had whistle-blower policies in place as mandated by regulators, as well as relevant international organisations and global banking industry best-practices.

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

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

As a result of the engagement, Barclays has taken action to strengthen management of whistle-blower issues including appointing a board member to oversee whistle-blower protection, implementing a zero-tolerance policy to whistle-blower retaliation, and a targeted and collaborative approach to improving the company's corporate culture. Sustainalytics aims to have the next engagement with Barclay's in early 2022.

### **Fixed Income Engagement (JP Morgan)**

JP Morgan believes that regular engagement with investee companies is vital to its active heritage. It engages with companies through regular and ad-hoc meetings. JP Morgan adopts an integrated approach to stewardship involving active participation between the Investment and Stewardship groups, with shared meetings and collaboration on engagement topics.

JP Morgan has five main investment stewardship priorities that it believes are most applicable, when engaging with its investee companies. These are:

- Governance
- Strategy alignment with the long-term
- Human capital management
- Stakeholder engagement
- Climate risk

Over the twelve months reporting period to 30 September 2021, the manager recorded around 500 meetings globally with over 400 portfolio companies. Of those meetings, 427 were specifically focussed on governance issues, 110 on environmental issues and 166 on social issues. Engagements with 96 companies focussed on more than one issue.

Please see here for more information on Investment Stewardship at JP Morgan:  
<https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/investment-stewardship/annual-investment-stewardship-report.pdf>

#### **Engagement Example:**

JP Morgan engaged at a strategy level with Berkshire Hathaway in relation to their energy assets on a number of ESG factors. Two of the company's largest utilities generate more than 30% of their electricity from coal.

JP Morgan met with the company 3-4 times to discuss changes in Californian regulation, the possibility of issuing green-bonds to fund investment in environmentally friendly power generation, and to assess compliance with the Paris Climate Agreements. The company later came to market with a \$850m green-bond issue, where proceeds were earmarked for solar power projects by Topaz Solar, owned by MidAmerican Energy (a Berkshire Hathaway subsidiary). JP Morgan continues to monitor the company's developments in this area.

JP Morgan provided another strategy level engagement example with Volkswagen, where environmental and governance factors influenced their investment decision. In September 2015, the US Environmental Protection Agency issued a "notice of violation" to the large German automaker, accusing the company of violating the US emission rules by intentionally installing software in diesel powered cars which would act differently under emissions tests than in a real-world driving environment.

Over the following years, the manager met and actively engaged with Volkswagen's senior management multiple times. Conversations focused on the investigation, related governance concerns and associated reputational risk, in addition to the wider direction of strategy within the business. These conversations also focused on communicating that a change in company culture is required to encourage accurate disclosure of data, advance ESG standards and develop investment in electric vehicles.

### **Real Estate Engagement (Nuveen)**

The strategy is exclusively a real estate debt investment strategy, and therefore engagement is primarily with the sponsors from the loan book. Nuveen implements its responsible investing commitment through

activities underlying a set of core principles across the firm including engagement, ESG integration and driving positive impact across its portfolio.

Engagement example:

Over the period, Nuveen engaged with sponsors regarding climate change and energy reduction targets with an objective to encourage sponsor behaviour which reduces climate related risks.

The engagement took place through email correspondence with sponsors outlining Nuveen's approach to ESG and requesting that they complete a survey. Nuveen's plan is to follow up on an annual basis to understand the made changes over time and encourage consideration of climate change risk and mitigation strategies.

Nuveen states that 2020 and 2021 acted as the initial baseline years with a view to drive engagement in the future.

## **Summary**

Based on the reported activity over the year by the Trustee and its investment managers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice.

The Trustee also notes that only some of its investment managers were able to disclose necessary evidence of voting and/or 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 Scheme through considered voting and engagement.