Engagement Policy Implementation Statement

Introduction

The Plan's Stewardship Policy as at the year-end states that:

As part of its delegated responsibilities, the Trustee expects the Plan's investment managers to:

- *take into account social, environmental or ethical considerations in the selection, retention and realisation of investments; and*
- *exercise the Trustee's voting rights in relation to the Plan's assets.*

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

This statement sets out the actions undertaken by the Trustee, and their appointed investment managers, to implement the stewardship policy as set out in the Statement of Investment Principles ("SIP") and includes voting and engagement information that has been gathered from the investment managers.

The report covers activities over the period 31 March 2019 to 31 March 2020. Not all managers shared information directly relating to the specific period covering the Plan's financial year, and so we have used the information as has been provided.

The Plan's investment adviser, Aon, employ a specialist investment manager research team that provide ongoing monitoring of the investment managers, including where applicable, monitoring on the quality of environmental, social and governance ("ESG") integration and stewardship. Aon have confirmed that all Buy rated equity and fixed income managers that the Plan invests in as at the year-end have been rated 2 or above on Aon's four-tier ESG ratings system[1]. This means that the appointed asset managers are at least aware of potential ESG risks in the investment strategy and have taken some steps to identify, evaluate and potentially mitigate these risks.

At the year-end, the Plan was invested in the following equity and fixed income funds:

- Legal & General Investment Management ("LGIM") Multi Factor Equity Fund
- BlueBay Asset Management ("BlueBay") Total Return Diversified Credit Fund
- Pacific Investment Management Company ("PIMCO") Global Libor Plus Bond Fund

continued on next page

[1] More information on the Aon ESG Ratings process can be found here: https://www.aon.com/getmedia/0b52d7ec-db77-41bc-bb45-9386034db392/AonCanada-Publication-Investment-GuideESGRatings.aspx

Introduction (continued)

During the year, the Plan was also invested in the following funds:

- Harding Loevner Management LP ("Harding LM") Global Equity Fund – Disinvested from in December 2019
- Harris Associates L.P. Global All Cap Equity Fund – Disinvested from in October 2019
- Ninety One (formerly known as Investec) 4Factor Global Strategic Equity Fund - Disinvested from in October 2019

Plan activity over the year

Over the year, the Trustee reviewed and updated its SIP with new policies relating to financially material considerations, stewardship and non-financial matters. As part of this process, the Trustee formalised its affirmation to the importance of managers appropriately considering ESG factors (which are becoming increasingly financially relevant to the companies they invest in). The Trustee also expects its investment manager to exercise the Trustee's shareholder rights to influence and improve the companies it invests in to generate better long-term financial outcomes.

The Trustee receives quarterly investment monitoring reporting from the Plan’s investment advisor, Aon. This reporting covers a number of areas including performance, strategy and risk. The reporting also includes ESG ratings for the Plan's appointed equity and fixed income managers, reflecting analysis carried out by Aon to assess investment managers on their quality of ESG integration as well as the features and impact of their respective Stewardship programs.

During the year, a new equity manager, LGIM, was appointed by the Trustee. The Trustee has also noted the integration of responsible investment considerations and climate change exclusions within the Multi-Factor Equity Fund managed by LGIM since the end of 2019.

Plan activity post year-end

Post year-end, the Trustee carried out a Responsible Investment ("RI") survey, which led to the identification of consensus beliefs and statements that were reflected in policies on financially material factors including ESG factors and climate change. The Trustee subsequently expanded the stewardship policy set out in the Trustee's SIP and expects its investment managers to comply with this as appropriate.

Voting and Engagement - Equity

LGIM Multi-Factor Equity Fund

Summary Voting Statistics

	2019	**Q1 2020**
% resolutions voted	98.5%	99.1%
% of resolutions voted against management	14.9%	14.5%
% resolutions abstained	1.5%	0.8%

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Voting and Engagement - Equity (continued)

Voting Policy Summary

LGIM use ISS as a proxy advisor for voting for this fund. LGIM regularly monitor the proxy voting services through quarterly due diligence meetings to ensure execution is in line with their voting policy. LGIM receive an electronic alert for rejected votes which require further action. LGIM are audited annually and receive an assessment report on their voting activities.

LGIM are currently in the process of building a tool to pull specific engagement and voting data at a strategy level and will align this and their definition of a significant vote with PLSA guidelines. LGIM also strengthened its voting policy in 2020 to state they will vote against misaligned pensions for directors. Weekly voting meetings are recorded and audited annually within the team, with all votes having a rationale behind them.

LGIM have provided a number of significant voting examples and rationale. One example was of LGIM voting against a shareholder proposal in 2019. The proposal was for Rio Tinto, a mining company, to set out a transition plan and publish targets aligned with the Paris agreement. LGIM considered this resolution to be too prescriptive given current technology limitations for the sector and has been engaging with the company instead to drive progress in this area.

LGIM supported and was a co-filer in the shareholder proposal put forward by Climate Action 100+ for BP to publish a strategy consistent with the Paris Agreement, including capital expenditure and targets. This was supported by over 99% of shareholders at the company's AGM, and support from the board was achieved.

Engagement

LGIM manage the Plan's investment in the Global Multi-Factor Equity Strategy, a passive alternative index tracking fund. LGIM has become an industry leader in stewardship activities for index tracking funds and is arguably setting best practice for other managers to follow.

Passive managers' difficulties lie in the fact that their funds invest in hundreds and sometimes thousands of companies across the world, meaning that they don't necessarily have the resource to engage on granular, company specific issues with each investment they hold. This could therefore result in less effective forms of stewardship for this style of investing.

LGIM began working on a solution to this issue by deciding to focus on key engagement themes that they thought would drive the greatest levels of progress and client value. Holding client forums in 2017 provided LGIM with broad engagement themes to focus and prioritise their engagement activity.

As part of their Climate Impact Pledge, LGIM publish a list each year comprising of companies that are deemed candidates for exclusion as a result of them not reaching LGIM's sustainability expectations. If engagements with these companies are unsuccessful, LGIM may divest from the company.

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Voting and Engagement - Equity (continued)

Harding LM Global Equity Fund

Summary Voting Statistics

	1 April 2019 – 31 March 2020
% resolutions voted	92%
% of resolutions voted against management	3%
% resolutions abstained	0%

Voting Policy Summary

Harding LM subscribes to Glass Lewis' corporate governance voting recommendations but maintains discretion over the voting process and considers each proposal on its merits, including in the context of the issuer, industry, and country or countries in which its business is conducted. Harding LM adhere to their own voting policy or use their client's voting policy if applicable.

Harding LM votes on all company shares with the aim of furthering the best economic interests of clients. The firm's analysts are responsible for determining how to vote proxies for the companies they cover.

Harding LM have provided a number of voting examples and rationale. One example was of Harding LM voting against the management team of Essilorluxottica in 2019, in response to management's proposal to clatter the structure of the Chair and CEO's remuneration package. Harding LM felt that the proposal was not aligned to shareholder interests, and that there had been a poor response to shareholder concerns; therefore, did not support the proposal. The outcome is that the altered remuneration package was not supported by shareholders. Harding LM supported the shareholder proposal put forward for Illumina Inc, a biotechnology company, regarding their political contributions and expenditures. Harding LM believed that an increase in disclosure would allow shareholders to more fully assess the risks presented by Illumina's political spending and has continued engaging with the company on this matter.

Engagement

Harding LM's analysts engage regularly with company managements during their fundamental research and monitoring of qualified companies. They prioritise engagements with companies based on the materiality of factors to the investment thesis and company's future cash flows. Analysts will formally engage with management to express concern or disagreement with a proposed or decided course of action, including on issues related to shareholder welfare or other ESG concerns. This engagement often arises in the context of proxy voting: whenever the firm casts a vote against management's recommendation, the responsible analyst is required to write to management to highlight and explain the basis for their dissent.

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Voting and Engagement - Equity (continued)

One example of an engagement with a company was with Vertex Pharmaceuticals. Harding LM engaged with the company to improve their disclosure of lobbying expenses and political contributions on Vertex's website and company materials. Harding LM recognises that the company's disclosures falls behind that of peers and work still needs to be done to overcome this.

Over the past year, Harding LM engaged with 4% of the issuers at an "advanced" level within the portfolio.

The Scheme fully disinvested from the Harding LM Global Equity Fund in December 2019.

Engagement - Fixed Income

BlueBay Total Return Diversified Credit Fund

Where ESG engagement is deemed necessary, BlueBay prioritises this by using a risk-based approach. This means taking account of the following:

- Focusing on issuers considered to have the most exposure to significant ESG controversies
- The absolute/relative size of their exposure to the issuer (fund level/firm wide level)
- Their investment thesis
- The ESG ratings and scores of the company overall, and/or on specific areas where they may have a proactive engagement programme centred around a specific issue/theme.

The aim of their engagement is twofold:

- generate additional insights into the issuer's ESG practices which may have investment implications, and
- facilitate change by setting out a request for change/improvement in specific ESG areas.

The engagement may be investor led, where a group of investors are looking to address a specific issue/theme within a certain sector or more generally company led, as part of a proactive effort by the company to engage with investors on its ESG practices.

One example of engagement is the ongoing discussions BlueBay has had with the United Mexican States over a range of ESG issues. BlueBay met with representatives from Mexico alongside other investors during a roadshow in February 2020 in advance of the issuance of their UN Sustainable Development Goals (SDG) Sovereign Bond Framework, for Mexico's first proposed labelled SDG bond. The meeting provided the opportunity to gain clarity on the framework itself and engage with the sovereign on how they were mapping the SDGs in this context. BlueBay will continue discussions with the United Mexican States on material investment risks and will follow up on their commitments.

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Engagement - Fixed Income (continued)	**PIMCO Global Libor Plus Bond Fund** In an ESG dedicated portfolio, PIMCO aims to engage intensively with the issuers in the portfolio to help influence ESG policies and drive more sustainable business practices. However, for non-ESG dedicated portfolios like the Global Libor Plus Strategy there is no explicit objective to actively engage with ESG issuers on sustainability practices. That said, at the firm level, on an annual basis, the team of over 65 credit analysts conduct more than 5,000 meetings and calls with company management teams. In addition to discussing financial matters, PIMCO also focus on strategic issues that relate to ESG risks and sustainable business management practices. One example of an engagement with a company was with Verizon. This issuer has demonstrated commitment to specific climate targets such as lowering its carbon intensity by 50% by 2025 and increasing energy needs met by renewable energy to 50% by 2025. PIMCO engaged with the company in 2019 on its climate strategy to enhance its environmental credentials in line with advanced practices and green bond reporting. In the end, Verizon committed to publish its first green bond report in early 2020, to setting a science-based target by September 2021, and to be carbon neutral by 2035. Over the past year, PIMCO engaged with 15-20% of the issuers at an "advanced" level within the portfolio. This fund is not an ESG focused fund and engagement is not a key objective of the fund. However, the fund may benefit from firm-wide engagement for their ESG focused strategies to the extent it holds overlapping securities.
Conclusion – overall adherence to Trustee's policy	The Trustee is of the opinion that all of the Plan's investment managers appear to be exercising their respective voting and engagement abilities in a thoughtful, responsible manner and that the Trustee's stewardship policy is being appropriately implemented on its behalf. The Trustee recognises that it has a responsibility as a large institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Plan invests in. The Trustee will continue to use its influence to drive positive behaviour and change among the managers it has employed to invest the assets of the Plan, and with other third parties that the Trustee relies on such as its investment advisor. The Trustee will set increasingly higher standards for these parties in future, and will monitor, assess and ultimately hold them to account to ensure that the assets of the Plan are being appropriately invested.