Engagement Policy Implementation Statement

Magnox Electric Group of the Electricity Supply Pension Scheme

Introduction

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

- Explains how and the extent to which it has followed its engagement policy, which is outlined in the Statement of investment principles ("SIP") of the various Sections; and
- Describes the voting behaviour by, or on behalf of the Group Trustee (including the most significant votes cast) during the scheme year and states any use of the services of a proxy voter during that year.

The Engagement Policy Implementation Statement ("EPIS") has been prepared by the Group Trustee and covers the year 1 April 2020 to 31 March 2021. Although the Group Trustee has a separate SIP for each Section to reflect the different investment strategies, the policies in relation to engagement and voting remain consistent across the Sections. The EPIS is therefore written at the Group level.

Summary

The Group Trustee is satisfied that its investment managers are exercising their respective voting and engagement duties to a satisfactory level and that the Group's stewardship policy is being appropriately implemented on its behalf.

The Group Trustee will continue to use its influence to drive positive behaviour and change among the investment managers that it has invested with and other third parties that the Group Trustee relies on such as its investment adviser. The Group Trustee will monitor, assess and ultimately hold them to account to ensure that the assets of the Group are appropriately invested.

Preparing the EPIS – Data

The Group Trustee has prepared the EPIS using information provided by its investment adviser and investment managers. Its investment adviser and investment managers have given permission for the contents to be made publicly available.

The Group Trustee has concentrated on summarising the stewardship activities of material holdings where there is meaningful scope for engagement. This excludes the Group's LDI holdings with BMO (c41% of total Group assets) as the Group Trustee deems the scope for engagement with the UK government/Debt Management Office to be very limited.

Scheme Stewardship Policy Summary

The following bullet points summarise the Group's Stewardship Policy in force over the majority of the reporting year to 31 March 2021. The full SIP can be found at www.my-magnox-pension.com.

- *The Group 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 its investments reside.*
- *The Group Trustee expects the investment managers to use their influence as major institutional investors to engage with underlying investee companies to promote good corporate governance, accountability, and positive change.*
- *The Group Trustee regularly reviews the ongoing suitability of the investment managers and takes advice from its investment adviser regarding any changes.*
- *The Group Trustee expects the appointed investment managers to provide transparency on engagement and voting activity.*
- *From time to time, the Group Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. the capital structure, and management of actual or potential conflicts of interest.*

Scheme stewardship activity over the year

Training

Over the year the Group Trustee had responsible investment training sessions with its appointed investment advisor ("Investment Advisor"). These provided the Group Trustee with updates on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of Environmental, Social and Governance ("ESG") factors in investment decision making.

Responsible Investment Survey

In April 2020 the members of the Group Trustee completed a responsible investment survey to help form its collective beliefs. These beliefs then subsequently informed the Group's Stewardship Policy.

Updating the Stewardship Policy

The Group Trustee has been proactive to ensure its Stewardship policy has remained up to date with recent regulatory requirements and also reflects its views and beliefs.

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

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with monitoring reports being provided to the Group Trustee by its Investment Advisor. The Group Trustee expects its Investment Advisor to proactively highlight any areas of concern and provide clear advice where action is required – this includes, but is not limited to, matters in relation to responsible investment.

The Group Trustee regularly invites its managers to provide updates at its meetings. These updates will include, among other things, information on performance, stewardship and ESG factors. The Group Trustee also plans to have an in-depth ESG-focussed meeting with each of its managers in 2021/2022.

Climate risk management / TCFD / carbon reporting

The Group Trustee is currently working through the recommendations of 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. The Group Trustee is currently working to disclose ahead of the regulatory deadline for a pension scheme of the Group's size (which is within 7 months of 31 March 2023).

Voting and Engagement activity – Equity and multi-asset funds

Over the year the Group was invested in a number of equity and multi-asset funds.

The section below sets out the voting and engagement activity of the managers with which the Group has material investment holdings. The Group Trustee has adopted the managers' definitions of a "significant" vote which are determined in accordance with their own policies.

Lindsell Train Limited UK Equity Fund (0.3% of Group and a total of 23 share holdings as at 31 March 2021)

Voting

The primary voting policy of Lindsell Train Limited ("LTL") is to protect or enhance the economic value of its investments on behalf of its clients. LTL votes on behalf of its clients in accordance with its own Proxy Voting Guidelines which govern how to vote. These guidelines are approved collectively by the Portfolio Managers and they are reviewed semi-annually. Portfolio Managers maintain final decision-making responsibilities for all votes based on the detailed knowledge of the companies in which LTL invests.

Proxy voting decisions are the result of careful judgement to ensure the best possible outcome to generate long-term shareholder value. The Portfolio Manager will vote against any agenda that threatens this position, in particular concerns over inappropriate management remuneration or incentives, changes in capital structure and mergers or acquisitions which are seen as detrimental to the investment held.

LTL appointed third party proxy voting service provider Glass Lewis in Q1 2020 to aid the administration of proxy voting and provide additional support in this area.

Over the period, LTL failed to vote in 6.0% of resolutions due to the custodian failing to deliver the votes on time and administrative errors. LTL has since reviewed and updated its procedures to ensure that all future votes are actioned.

Over the year to 31 March 2021	
Number of resolutions eligible to vote on	417
% resolutions voted on for which the fund was eligible	94.0%
% that were voted against management	0.0%
% that were abstained from	0.3%

An example of a significant vote over the period was with an abstain vote in relation to the company Mondelez on executive compensation. LTL pays careful consideration to the compensation policies of the companies in which it invests. In assessing these compensation policies, LTL focuses more on how incentives are structured rather than the actual quantum of compensation. In other words, LTL can be comfortable with large rewards provided that the incentives are aligned with shareholders' interests and its principles. In the case for Mondelez LTL did not believe that the company's compensation policy was aligned with the long-term best interests of the shareholders. LTL engaged with the company's compensation committee before the vote to signal its intentions to abstain. The outcome of the vote was the resolution was approved.

The Group Trustee has noted Lindsell Train has voted in line with management on all but one resolution and has followed up for more detail given the lack of evidence of independent action.

Engagement

Given the concentrated nature of LTL's portfolios and the fact that it builds up large, long-term, stakes in the businesses in which it invests, LTL is able to prioritise all engagement activity and considers them all to be significant.

LTL has provided a number of fund specific engagement examples. Drawing on one of these examples, LTL engaged with Burberry about its supply chain controls following the poor labour practices of another clothing manufacturer coming to light. The Chairman explained that the poor business practices uncovered are largely confined to fast fashion, which relies on selling large volumes of product with thin margins. This is not the case at Burberry. Nonetheless, Burberry has a robust supplier vetting programme and a tightly controlled supply chain to protect brand health. For Burberry, the key risk in the supply chain is subcontractors as it's harder to maintain oversight of them. Burberry are alert to the risks of complacency and have a framework in place to protect the business from reputation damage. The Chairman drew LTL's attention to Burberry's evolving statement of purpose, which aims to build on their assessment and response to such risks.

LTL concluded that there were no immediate areas of concern and view this increased focus on environmental and social factors as a demonstration of how Burberry is working to ensure its durability.

Ruffer LLP Absolute Return Fund (0.3% of Group and a total of 85 share holdings as at 31 March 2021)

Voting

Ruffer LLP ("Ruffer"), as a discretionary investment manager, does not have a formal policy on consulting with clients before voting. However, it can accommodate client voting instructions for specific areas of concern or companies where feasible. Ruffer has internal voting guidelines as well as access to proxy voting research, currently from third party provider Institutional Shareholder Services ("ISS"), to assist in the assessment of resolutions and the identification of contentious issues. Although Ruffer is cognisant of proxy advisers' voting recommendations, in general, it does not delegate or outsource its stewardship activities when deciding how to vote on clients' shares. Research analysts are responsible, supported by Ruffer's responsible investment team, for reviewing the relevant issues on a case-by-case basis and exercising their judgement, based on their in-depth knowledge of the company shares on which they vote. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer. Ruffer looks to discuss any relevant or material issue that could impact its investment with companies. Ruffer will ask for additional information or an explanation, if necessary, to inform its voting discussions. If Ruffer decides to vote against the recommendations of management, it will endeavour to communicate this decision to the company before the vote along with its explanation for doing so.

Over the year to 31 March 2021

Number of resolutions eligible to vote on	1144
% resolutions voted on for which the fund was eligible	97.0%
% that were voted against management	9.3%
% that were abstained from	1.6%

An example of a significant vote was seen in the case of Exxon Mobil in May 2020, where Ruffer voted against the re-election of all non-executive directors. In the past, Ruffer had engaged with Exxon Mobil and stressed that it should further align its strategy with the goals of the Paris Agreement and accept responsibility for its greenhouse gas emissions. Due to the limited progress since the 2019 Annual General Meeting, Ruffer decided to vote against the re-election of all non-executive directors because Ruffer didn't believe that the directors had been representing the best interests of shareholders owing to the slow progress of the engagement with the Climate Action 100+ initiative. Although the re-election proposals passed with a range of 83-98% shareholder approval, Ruffer stands by its belief and has since sold down the equity.

Engagement

Ruffer believes that engagement is an effective tool to achieve meaningful change and management is committed to engaging with companies in which its clients' assets are invested on a wide range of topics. By engaging with a company to achieve specific goals, management is improving its understanding of the material ESG risks it faces, challenging its behaviour in relation to ESG considerations and in turn increasing its awareness of regulatory and societal changes. Ruffer believes that it will likely result in superior outcomes and returns for its clients.

Ruffer also appreciates the significance of discussing with these companies the importance of greater transparency with regards to climate-related disclosure as well as tangible targets for reducing greenhouse gas emissions. Ruffer's responsible investment team engages regularly with formal and informal groups on ESG issues and facilitates Ruffer's involvement in collaborative engagements.

Engagement example

As part of Climate Action 100+[1], Ruffer engaged with Equinor, a Norwegian energy company developing oil, gas, wind and solar energy in more than 30 countries. Climate Action 100+ had a call with the CEO and Senior Vice President for Sustainability along with other senior colleagues. Following the recent appointment of a new CEO, Ruffer reviewed the progress made, given the constructive dialogue between the company and investors in recent years and since the joint statement made in 2019 with the Climate Action 100+ initiative.

Ruffer welcomed the enhanced greenhouse gas reduction targets, the commitment to reach net-zero emissions by 2050 and the ambition for Equinor to be a leader in the energy transition. Whilst these commitments are important, Ruffer pushed the company to provide more information on how it will allocate capital to achieve these objectives. Specifically, it would like to understand how the allocation of capital is aligned with the goals of the Paris Agreement and to have greater transparency around how capital expenditure is allocated.

The company confirmed it is working on its transition plan to achieve net-zero emissions and will provide a strategy update in June 2021. On the topic of remuneration, it was noted this is an area in which little progress has been made since the joint statement. The company is committed to developing this further once it has finalised its transition plan. Ruffer will look to engage further with the company following its strategy update in June 2021.

Engagement activity – Fixed income

The Group also invests in a number of fixed income strategies.

While equity managers may have more direct influence on the companies they invest in, fixed income managers are increasingly influential in encouraging positive change through engagement with investee companies. The Group Trustee believe that engagements of this nature are key to reducing ESG risks within the Group's portfolio, as well as having the added benefit of contributing to the transition towards a low carbon economy.

The following examples demonstrate some of the engagement activity being carried out in respect of the Group's investments] over the year.

PIMCO Diversified Income Fund (6.8% of Group as at 31 March 2021)

PIMCO has engaged with c.600 corporate issuers over 2020. Moreover, as a leading global investment manager, PIMCO is engaged in nearly 20 industry bodies where PIMCO is an active leader. A notable example is where PIMCO helped to found the CFO Taskforce for Sustainable Development Goals ("SDG"). PIMCO in partnership with the UN Global Compact and energy utility ENEL formed the taskforce with the aim to mobilize hundreds of CFOs to tackle the financing needs around the SDG. Another is its engagement with the Institutional Investors

[1] Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Group on Climate Change (“IIGCC”), which is an important framework that helps support investors decarbonise their investment portfolios and increases their allocations to climate solutions in a way that is consistent with a 1.5°C net zero emissions future. Here, PIMCO co-led the Sovereign Bond working group and provided critical input to the Corporate Bond working group.

An example of a fund level engagement relevant to the Group's investment is where PIMCO engaged with the Lloyds Banking Group to obtain an update on the progress made on their ESG initiatives and developments. The engagement was led by the credit analyst covering this issuer. PIMCO discussed Lloyds' progress and plans on climate risk assessment, Paris alignment, human capital support towards digitalisation and how ESG is reflected into employee performance assessment. The discussion has led to an update of PIMCO's ESG view for Lloyds Banking Group. PIMCO aims to maintain the dialogue for follow-up discussion on these areas moving forward.

Insight Global Asset Backed Securities Fund (3.0% of Group as at 31 March 2021)

A key element of stewardship is proactive engagement with companies to ensure accurate analysis and to influence them to improve their practices. This engagement with issuers is a key part of Insight's credit analysis and monitoring and complements Insight’s approach to responsible investment. Given the size and depth of Insight's credit analyst resource, one of the key inputs into its ESG analysis is the direct information which it receives from companies via engagements that take place with it.

As a matter of policy, all Insight’s credit analysts regularly meet with issuers to discuss ESG-related and non-ESG related issues. Each analyst identifies the engagement issues relevant for each specific issuer. Insight will use ESG ratings and its carbon model to engage companies. Meetings with company management provides the most effective and timely opportunity to raise these issues. If Insight does not already have regular meetings with a company’s management, its investment teams are encouraged to request a meeting with them. Where this is not possible, or additional action is deemed appropriate in order to further the interests of its clients, Insight may consider raising the issues with the company’s broker or, if appropriate, the chairman. Further to this, if Insight do not receive a response from the issuer regarding engagement then they will lead on a wider collaborative initiative, via the Principles for Responsible Investment or by engaging with other investors, to achieve greater influence over the issuer.

Additionally, as a global investment manager, Insight has an important role in financial markets. It believes that it must take a proactive role in ensuring the long-term sustainability of the markets as this is in its clients’ long-term interests, as well as that of wider society. Long-term initiatives include engagement with other industry members to ensure its clients’ rights and considerations are fully represented, including:

- Joining the Working Group on Sterling Risk-Free Rates.
- Participation in climate change related collaborative engagements as an active member of the Climate Action 100+ initiative.
- Collaborating with peers on a range of issues, such as credit risk and ratings with the PRI initiative.
- Encouraging issuers to submit their carbon emissions to CDP (carbon disclosure project) initiative.
- Development of new sources of repo liquidity - a key issue for pension funds seeking to manage risk efficiently and effectively.
- Challenging the pressure on derivatives users, including pension funds, to post only cash as variation margin on their derivatives transactions - a key issue for pension funds seeking to manage risk effectively over the long term.
- Supporting the transition to a low carbon economy by investing in 43 green bonds, and encouraging banks to consider green bond issuance, and through its Advisory Council role with the Green and Social Bond Principles.

These engagements inform the overall credit analyst views of the companies and provide a platform not only for both increased transparency around ESG issues, but also ongoing engagement to change company behaviour, where appropriate.

Insight provided some examples of how it implements its ESG rating system. For example, residential mortgage backed securities fund La Trobe was rated a 3 out of 5 in Q4 2020. The originator had strong governance and social scores, but could improve their disclosure of information on environmental risks. Insight have engaged with them on providing information on environmental metrics and stress tests and to incorporate climate change factors into their origination process. There are also some areas that can be improved on the origination and servicing side such as the way origination teams are compensated and the setting of fee incentives for the services collection process. Insight stated it would also like to see the complaints independently reviewed away from the service function.

Barings Global Loan Fund (5.2% of Group as at 31 March 2021)

Barings believes that value is derived from transparent communication with the entities in which it invests coupled with the expertise and discretion of experienced analysts and portfolio managers.

Barings broadly prioritize engagements according to the materiality of a topic to the investment case, as determined by its analysts' ESG research, as well as by the size of the holdings. The former affects the value that may be realized, and the latter may affect the chance of success. Barings prefer to engage proactively and on longer-term issues that may meaningfully affect investors but will also engage reactively and on shorter-term threats to value on an incident-driven basis. Barings believes that the most productive exchanges occur within the context of established relationships and rapports.

Barings aims to set objectives, milestones and appropriate timelines for each engagement, and monitor the success or failure of these milestones and objectives. It may escalate unsuccessful engagements by increasing the intensity or frequency of the engagement, by joining together with other investors in a collaborative engagement, or in some cases by divesting or declining to participate in future offerings. What Barings learns in engagements feeds back into their fundamental ESG analysis and may result in changes to their investment thesis.

An example of a fund level engagement is with CFOs of energy companies. Most recently, one of the main avenues for Barings to engage on climate change has been through honest and transparent discussions directly with energy company CFOs about their cost of debt. As debt investors, Barings have found that CFOs understand that debt investors can influence their cost of capital in the primary markets and to a certain extent in the secondary markets through trading prices. These conversations have led CFOs to rethink their approach to accessing capital markets for debt. In addition, Barings has indirectly engaged on climate change through corporate governance. As a large lender and in certain situations through amendments or restructurings, Barings has been able to change management teams and board members that may prioritise climate change initiatives more favourably compared to previous management teams or board members.

Arcmont Asset Management European Direct Lending Fund III (0.9% of Group as at 31 March 2021)

Arcmont states that given it is a debt investor, and not owner of businesses, it has more limited legal mechanisms to influence borrowers. However, it does engage with portfolio companies on a variety of issues, including ESG issues. Until recently, all engagements were conducted on an ad hoc basis where Arcmont believed ESG issues could be better managed by the company. In March 2021, Arcmont rolled out its ESG Target Improvement Plan for all new borrowers. The plan offers financial incentives via interest rate discounts to borrowers that meet certain agreed upon environmental and social performance targets. As the plan was only implemented in March, Arcmont are still in the early stages of discussing the plan with its new borrowers and is currently unable to provide details on the outcomes. It stated that it will disclose details of the plan and updates on borrowers' progress via the quarterly reports to investors. The Group Trustee expects details to be available for reporting in next year's EPIS.

Hayfin Direct Lending Fund III – Direct Lending (1.7% of Group as at 31 March 2021)

Hayfin stated that it is a lender rather than an owner in nature of business. Hayfin reported that in terms of gross capital invested, it has engaged with 54% of companies over the past year. By count, 62% of its memos (components and rationale of investing in a company) show engagement. This includes the deals which have not ultimately proceeded to approval stage. However, it was not able to provide any further details.

For 2021 Hayfin is planning to further enhance its level of ESG-related client reporting to include ESG issues/case studies and incident disclosure in its quarterly reporting.

Chorus Capital Credit Fund IV – Bank Capital Relief (1.5% of Group as at 31 March 2021)

Chorus Capital considers climate change risks in the context of wider ESG considerations within each investment's approval and monitoring process, as it believes that environmental risks may ultimately lead to heightened credit default risk in the portfolio. Therefore, Chorus Capital actively limits the exposure to industries which are non-compliant for climate-related business involvement, for example coal mining and oil sands. Over the year to 31 March 2021, the manager engaged several times with the transaction issuers to exclude loans that did not meet the requirements from an ESG perspective. For example, in September 2020, Chorus Capital engaged with a North American Bank to remove a particular name from the portfolio due to the company's poor environmental record and related controversies.

Robeco Buy & Maintain Credit (5.7% of Group as at 31 March 2021)

Robeco is focused on improving business conduct and function of the companies it invests in. It carries out extensive baseline research on the companies it invests in - measuring changes in company performance relative to engagement objectives – and allows three years for engagement. Any cases that are not resolved to Robeco's satisfaction are considered for potential exclusion from their fund.

Over the last few years, Robeco at a firm level has engaged with senior employees of a multinational oil company at various times. The focus of the engagement was to encourage the company to take action to contribute towards preventing global warming to below 2 degrees Celsius, as then the world, and therefore industries, will be exposed to significant transitional and physical risks.

In 2020, the company announced it will 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 its long-term goal, Robeco agreed a joint statement with the company who agreed to start setting shorter term targets. Robeco believes the company now leads the sector in terms of its planning and positioning for the energy transition as they look to move to lower carbon products and solutions.

M&G Investments Inflation Opportunities Fund (7.2% of Group as at 31 March 2021)

Stewardship activities such as monitoring and engaging with investee companies, as well as voting at shareholder meetings and reporting to clients, are undertaken by the investment teams, research analysts and members of M&G's Corporate Finance & Stewardship team on an integrated basis. To ensure an integrated approach, regular investment meetings are held with investee companies (and meetings with potential investee companies) with representation from each team.

An example of engagement that took place in 2020 was when M&G engaged with an issuer company on a strategy level to improve the quality of investor reporting and disclosure which had historically been poor. The objective was to escalate the matter within the issuer company to ensure it receives appropriate attention. M&G made contact in November 2020 with the CEO to raise this as an important matter for investors. The CEO has been vocal about the business' level of communication with its staff and customers in the COVID-19 era but accepted that it needed to reflect on investor engagement. M&G provided examples of best practice investor reporting. M&G engaged again with the CEO in March 2021 to press for an update on investor reporting plans and meet the newly appointed CFO. As an outcome, it has established a direct line of communication with the CEO which provides for an escalation route if issues are not being addressed. M&G have a meeting planned with the new CFO, who has already presented new investor reporting plans to the Finance board-subcommittee.

Engagement activity – Real Estate & Alternative Assets

The Group also invests in a number of real estate and alternative asset strategies.

DRC UK Whole Loan Fund – Real Estate Debt (1.9% of Group as at 31 March 2021)

DRC undertakes technical and environmental due diligence on every asset that it finances. It is presently testing a detailed ESG due diligence approach alongside its technical advisors. DRC has also started a process of having quarterly ESG briefings with specialist advisors, who have the remit of monitoring developments, and they also take part in the DRC Investment Committee.

Where necessary the deal team proposes additional obligations on the borrower to make relevant improvements to the assets based upon their findings. For example, where the energy performance certificates ("EPC") ratings for a building are too low, the improvements budget could be altered to include additional cost for achieving a higher EPC rating. The costs for these adjustments would then be integrated into the underwriting process for the deal and leverage will be provided on this basis.

DRC stated that it became a signatory to the Principles for Responsible Investment ("PRI") in 2020. DRC is currently reviewing the UK Stewardship code 2020 and will consider becoming a signatory as part of the Savills Investment Management / DRC partnership.

InfraRed Infrastructure Yield Fund - Infrastructure (1.3% of Group as at 31 March 2021)

InfraRed maintains a comprehensive sustainability management system which integrates sustainability into each stage of the investment process – from the initial assessment of an investment opportunity, during the on-going management of its portfolio and through to divestment or decommissioning of an asset.

InfraRed takes an active approach to long-term sustainable investment which is based on a foundation of robust ESG principles. It uses environmental criteria to assess how effectively a company stewards the natural environment, assists with the transition to a low carbon economy and complies with relevant laws and regulations. Through a social set of standards, InfraRed evaluates the company's approach to health & safety, labour standards and working conditions as well as the relationships it has with its stakeholders and surrounding communities. In terms of corporate governance, InfraRed looks to ensure that its partners adhere to the highest standards of corporate conduct. InfraRed undertakes regular studies, inspections, surveys and risk assessment to ensure this remains the case at all times.

Legal & General Investment Managers ("LGIM") UK Build to Rent Fund – Residential Property (2.2% of Group as at 31 March 2021)

LGIM Real Assets team sets ESG objectives across the full range of its property investment and management activities, which assists it in delivering its core objective of strong investment returns. These high-level objectives are implemented as property level initiatives through their ESG strategy, with the expectation of a positive impact on income streams and capital values over the next few years. To gain support for this process from key stakeholders, LGIM aims to clearly articulate the connections between sustainability and value creation, particularly to their occupiers and shareholders, as they consider this engagement a crucial part of their fiduciary duty and responsibility as a landlord.

LGIM has committed to achieve net zero carbon across its whole real estate portfolio by 2050 or sooner. This commitment goes beyond its landlord operations, covering whole building emissions which include their occupiers. Within its December 2020 report - Real estate: Net zero carbon roadmap, LGIM states that to achieve net zero, it is firmly committed to the principles defined by the UK Green Building Council framework. LGIM will measure and reduce embodied carbon. It will use the energy hierarchy to reduce the demand of its properties, to energy intensity levels which are 'Paris proof' (the methodology establishing the amount of energy reduction required for the UK to be fully powered by zero carbon energy in 2050). It will increase renewable energy supply and only consider verified offsetting as the final step. The Build to Rent fund specifically has set a goal of reaching net zero carbon in operation by 2030 and has set key tasks and milestones to help it reach the goal.

An example of engagement in relation to the fund was in October 2020, LGIM ran its first 'Sustainability Month' competition for residents to learn about steps that could be taken within their homes to improve their carbon and environmental impact. It hosted a number of talks to promote the idea of a sustainable lifestyle and created a resident team at each of their sites to foster a sense of community through the competition. All participants were signed up to Giki Zero, an environmental footprint calculator, with the team that reduced their footprint the most over the month the team winning the competition.

IFM Global Infrastructure Fund ("GIF") – Infrastructure (2.4% of Group as at 31 March 2021)

IFM purposefully seeks out collaborative engagement opportunities such as the Climate Action 100+, with the belief that the collective investor voice is able to influence and achieve positive change outcomes more efficiently.

Over 2020, IFM engaged with all assets held in GIF. The ramifications of the COVID-19 pandemic had a clear impact on the health and safety of all employees working at the assets owned by GIF. IFM's infrastructure asset management team engaged with assets to ensure practices were in place to ensure the wellbeing of employees.

IFM have a Health & Safety Standard, Guideline and several toolkits, which guides all infrastructure professionals on this topic. IFM Nominee Directors engage on safety topics through the board of directors of the portfolio companies. Apart from having legal obligations placed on themselves as company directors in the various jurisdictions with respect to health and safety, it frequently challenges management to implement safety best practice beyond the minimum legal requirements and transfer knowledge on health and safety topics between portfolio companies.

CBRE Global Investors UK Property PAIF & – Commercial Property (3.3% of Group as at 31 March 2021)
CBRE Long Income Investment Fund – Long Lease Property (1.8% of Group as at 31 March 2021)

CBRE does not invest in companies directly itself. However, it does engage with stakeholders, primarily the tenants within the portfolios in direct real estate. The exception is for indirect investments where CBRE engage with the underlying fund manager or operating partner. As at end Q4 2020, there were 51 tenants in the UK Property PAIF portfolio, across the 11 directly held assets. Over the 12 months to 31 December 2020 CBRE engaged with all of the 51 tenants.

CBRE engages with the underlying property managers on ESG issues throughout its investment process, starting at the due diligence stage to ensure the holding will contribute positively to the portfolio's sustainability. The manager's approach to ESG is reviewed with reference to internal; strategy, processes and policies, and submission to independent organisations. CBRE is a signatory of the PRI. It is not a signatory of the UK Stewardship Code, as it stated that this has been focused on the listed equity sector. However, its new ESG vision, policy and reporting will be aligned with the Code's scope and purpose now that the Code includes clauses that can be adapted to suit different asset types.

Engagement Example – UK Property PAIF

Since 2020, CBRE has been engaging with Marks & Spencer ("M&S") on the theme of Climate Change/Natural Resource Use. The manager actively engages with tenants on many issues and created sustainability workshops to share best practices aligning with United Nations Sustainable Development Goal 11 - Sustainable Cities and Communities.

An initial workshop was arranged with the Lead Sustainability Manager at M&S Property to understand sustainability strategies, key priorities, and areas for collaboration. Following the establishment of this relationship, further engagement has been through email communications with another workshop planned for 2021.

As a result of the tenant engagement workshop, CBRE has been able to make progress in a number of areas:

1. Environmental data collection from tenants
2. Building Certification – M&S supported CBRE in obtaining information for the Building Research Establishment Environmental Assessment Method ("BREEAM") In Use ("BIU") assessment at the Arnison site in Durham, and a BIU improvement plan was prepared.
3. Electric Vehicle ("EV") charging and Solar PV – CBRE understood M&S's strategy on these technologies and prepared to review and give landlord approval on a site-by-site basis.

The tenant workshop programme is still ongoing and as a result of the engagement CBRE plans to undertake the following actions:

1. Set up a follow-up workshop with key M&S stakeholders in 2021
2. Review the BIU Improvement Plan for M&S Arnison with the tenant and highlight potential actions to improve the BREEAM score.
3. Continually monitor potential sites that are suitable for Landlord funded Solar PV and also grant approval for tenant led EV Chargers where appropriate.
4. Request M&S to provide environmental data (energy, water and waste) for 2020 and 2019 for the fund's Global ESG Benchmark for Real Estate (GRESB) reporting

ICG-Longbow UK Real Estate Debt Investments IV – Real Estate Debt (1.3% of Group as at 31 March 2021)

The Group invests in a private debt fund with ICG Longbow. ICG monitors the ESG performance of its investments through annual ESG surveys. These comprehensive surveys are circulated to invested companies in strategies where ICG has influence and access to management. In addition, where ICG has influence in the capital structure, it collaborates with management to set company-specific ESG targets and Key Performance Indicators, which are monitored and tracked annually.

ICG also use a Green Loan Framework ("GLF") to help prioritise engagements. The team will work with an external advisor to review the selection and evaluation criteria for eligible investments, as well as an assessment of the GLF's alignment with the fund and ICG's environmental objectives. The GLF will set out ways to manage energy intensity and greenhouse gas emission reductions. An investor report will be made available on an annual basis, providing details of the different assets financed along with asset-level sustainability performance data reported by borrowers or sponsors.

Invesco Real Estate Finance Fund – Real Estate Debt (1.3% of Group as at 31 March 2021)
Invesco UK Real Estate Fund– Residential Property (2.2% of Group as at 31 March 2021)

Invesco Real Estate ("IRE")'s investment approach requires the investment team to maintain regular and meaningful contact with companies within the investment universe and more importantly, companies held within portfolios. The objective of engagement is to obtain deep understanding of the investment opportunity and, often as a shareholder, to ensure that issues which help to define long term shareholder value creation and risk are considered. Engagement with companies may take the form of IRE driven targeted engagement or company driven reactive engagement. It may take the form of broad, dialogue based, ongoing engagement or alternatively comprehensive engagement, focused on key specific issues, which may commonly relate to issues of appropriate capitalisation and financial structure and specific ESG related issues.

Further information on IRE's engagement policy in respect of real estate funds can be found here.

Innisfree PFI Secondary Fund & Continuation Fund – Infrastructure (5.2% of Group as at 31 March 2021)

Innisfree's investments involve a large amount of stakeholder and community engagement. Regular and ongoing engagement with the public sector client throughout the concession life is key. Innisfree's projects engage with local communities and consumers by means of supporting the needs of the many thousands of users of the social infrastructure assets (e.g. school pupils and medical patients who benefit from the school and hospital facilities provided in their local communities), jobs provided by service providers and other community initiatives supported by the supply chain.

The specification of an infrastructure project is set out by the government client at the outset of the concession, and the client determines the initial question of environmental impact versus socio-economic and health or other benefits. Innisfree projects comply with their government clients' specified requirements as to sustainability targets. The health and safety of project users is of paramount importance to each project's SPV (special purpose vehicle, a subsidiary company that is formed to undertake a specific business purpose or activity) board and to its government clients. As Innisfree's projects are predominantly operational public buildings or transportation projects, a significant part of each meeting is spent addressing health and safety incidents and issues which could affect the project users and the employees of the facilities management companies performing the project. In particular, fire regulation compliance is monitored following the distressing events at Grenfell Tower in London. Monitoring is supported by periodic audits and surveys by independent health and safety and other consultants. Innisfree's Asset Management Board is responsible for monitoring all risks as reported by the relevant SPV board directors. All members of the Asset Management Board have undertaken training in health and safety for directors.

In summary

Overall, from the information reviewed, the Group Trustee is of the opinion the stewardship carried out in respect of the Group’s investments is adequate and in line with its Stewardship Policy. The Group Trustee also believes the asset managers have demonstrated a willingness and ability to engage appropriately and are implementing voting and engagement activity in a manner consistent with the Group Trustee's policy and expectations.

The Group Trustee will continue to use its influence to drive positive behaviour and change among the managers that it has employed to invest the assets of the Group, and with other third parties the Group Trustee rely on such as its Investment Advisor.