Engagement Policy Implementation Statement

Brambles Enterprises (1996) Pension 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 the Trustee produces an annual implementation statement which outlines the following:

- Explain how and the extent to which they have followed the engagement policy, which is outlined in the Statement of Investment Principles ("SIP")
- Describe the voting behaviour by, or on behalf of the Trustee (including the most significant votes cast) during the year and state any use of the services of a proxy voter during that year

The engagement policy implementation statement ("EPIS") has been prepared by the Trustee and covers the reporting year 6 April 2020 to 5 April 2021.

Scheme's Stewardship Policy Summary

The below text summarises the Scheme's Stewardship Policy in force over the majority of the reporting year to 5 April 2021:

The Trustee recognises the importance of their 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, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustee has delegated responsibility to set the asset allocation to the fiduciary manager, Aon Investments Limited ("AIL").

As part of AIL's management of the Scheme's assets, the Trustee expects it to:

- *Ensure that (where appropriate) underlying investment managers exercise the Trustee's voting rights in relation to the Scheme's assets; and*
- *Report to the Trustee on stewardship activity by underlying investment managers as required.*

The Trustee may engage with AIL, who in turn is able to engage with underlying investment managers, investee company or other stakeholders.

The full SIP can be found here: https://www.ptluk.com/statement-of-investment-principles

Stewardship Activity Over the Year

Training and Updating the Stewardship Policy

In April 2020, the Trustee undertook a training session with its investment advisor (Aon) to provide updates on the evolving regulatory requirements that applied to them, and the importance of stewardship considerations in investment decision making.

In September 2020, the SIP was updated to capture the Trustee's views and principles. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

In March 2021, the investment advisor (Aon) provided the Trustee with a Responsible Investment training session, which focussed on the two key themes; climate risk and the Taskforce on Climate-related Financial Disclosures (TCFD).

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a monitoring report being provided to the Trustee by Aon. The reports include Environmental, Social and Governance ("ESG") ratings and highlight any areas of concern, or where action is required.

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

Engagement – Fiduciary Manager

Management of the Scheme's assets has been delegated to the fiduciary manager, AIL. AIL manage the Scheme's assets in a range of funds which include multi-asset, multi-manager and specialist third party liability matching funds. AIL appoint underlying investment managers on behalf of the Trustee to achieve an overall target return.

The Trustee delegates the monitoring of Environmental, Social and Governance ("ESG") integration and stewardship quality to AIL and AIL have confirmed that all equity and fixed income managers have been rated 2 or above on AIL's four-tier ESG ratings system. This means that all the appointed investment 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.

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

AIL have undertaken a considerable amount of engagement activity over the period, some examples of which have been outlined within this statement. AIL held around 35 ESG specific "deep-dive" meetings in 2020 predominantly covering the equity and fixed income managers that are invested in by AIL across all delegated funds in which AIL's clients invest. At these meetings, AIL were able to analyse and discuss the voting and engagement activities undertaken during calendar year 2019, highlighting areas of improvement and discussing manager strategy in the area of responsible investment ("RI") moving forward. Meetings have progressed through the beginning of 2021.

Aon Solutions UK Limited ("Aon") also actively engage with investment managers and this is used to support AIL in their fiduciary services.

Engagement example

Over the period, Aon's Engagement Programme maintained a dialogue with a leading global investment manager on behalf of many of their clients which invest with the manager. At the end of 2020 Aon had a discussion with the manager's Global Head of Stewardship with respect to numerous areas of concern regarding stewardship, in particular the manager's ability to demonstrate commitment to publicly stated climate change goals.

Aon's analysis of the manager's voting actions over the period showed that the manager had not been voting in a manner consistent with their public pledges on sustainability issues. The manager acknowledged that there was a disconnect between voting decisions made in the first half of 2020, but that they had markedly changed their voting policies in the second half of 2020, and reassured Aon that moving forward voting decisions would better align with their stated positions on such ESG matters. Aon expect to see this reflected in voting actions by mid-2021.

Aon expressed concern that given the level of potential influence the manager had; the manager was unable to bring shareholder resolutions to those companies with which it had reason to engage. Reasons for this are regulatory and concern its investor classification status. The manager acknowledged Aon's concern and agreed to follow up with further detail. While its situation has not yet changed, the manager has since stated its intention to use its vote for shareholder resolutions brought by other organisations to greater effect.

The manager has since provided further information on how they are updating their policies in a manner consistent with their strategy of intensifying engagement on sustainability. Aon will continue to monitor and engage with the manager, scrutinising their voting and engagement actions. Aon is encouraged that the manager plans to strengthen their influence with invested companies to better effect, especially the changed stance around supporting appropriate shareholder proposals.

Voting and Engagement – Underlying Managers

Over the year, the Scheme was invested in a number of equities, fixed income and alternatives funds via the bespoke fiduciary portfolio managed by AIL. This section provides an overview of the voting (where applicable) and engagement activities of some of the most material underlying managers over the reporting period.

Equity

Over the year, the Scheme had a material allocation to the Legal and General Investment Management ("LGIM") Multi Factor Equity Fund.

Voting

LGIM make use of third party provider Institutional Shareholder Services' ("ISS") proxy voting platform to electronically vote and augment their own research and proprietary ESG assessment tools, but do not outsource any part of the strategic decisions. They have put in place a custom voting policy with specific instructions that apply to all markets globally, which seek to uphold what they consider to be minimum best practice standards all companies should observe. Even so, LGIM retain the ability to override any voting decisions based on the voting policy if appropriate, for example, if engagements with the company have provided additional information.

The table below shows the voting statistics for the fund.

	LGIM Multi Factor Equity Fund
Number of resolutions eligible to vote on	15,435
% resolutions voted on for which the fund was eligible	99.9%
% that were voted against management	18.0%
% that were abstained from	0.2%

Please note that the voting statistics are for the year to 31 March 2021.

Voting Example: Pearson

In September 2020, LGIM voted against a remuneration policy put forward by an investee company Pearson.

The company put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy at an extraordinary general meeting ("EGM"), which was tied to the appointment of a proposed CEO. Shareholders supportive of the new leadership were therefore unable to separately evaluate the remuneration policy.

LGIM spoke with the chair of Pearson's board in relation to plans for the change in leadership and discussed the shortcomings of the company's current remuneration policy. Additionally, LGIM relayed their concerns prior to the EGM that the performance conditions within the remuneration policy were not appropriate and should be re-evaluated to best align management incentives with those of the shareholders.

In the absence of any changes to the proposal, LGIM took the decision to vote against the amendment to the remuneration policy. In all, 33% of shareholders voted against the remuneration policy and the appointment of the new CEO. While the proposal received sufficient support to be passed, the engagement highlighted concerns around governance, which LGIM has stated will be challenged through continued engagement going forward.

Engagement

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

1. Identify the most material ESG issues
2. Formulate the engagement strategy
3. Enhancing the power of engagement
4. Public Policy and collaborative engagement
5. Voting
6. Reporting to stakeholders on activity

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

Engagement Example: Proctor and Gamble ("P&G")

P&G use both forest pulp and palm oil as raw materials within its household goods products. A key issue identified was that the company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Furthermore, two of their Tier 1 suppliers of palm oil were linked to illegal deforestation.

Following a resolution proposed by Green Century that P&G should report on their effort to eliminate deforestation from their supply chain (voted on in October 2020), LGIM engaged with P&G, Green Century and with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following these engagements, LGIM voted in favour of the resolution as P&G has introduced objectives and targets to ensure their business does not contribute to deforestation.

However, LGIM felt P&G were not doing as much as it could and asked P&G to respond to a Carbon Disclosure Project Forests Disclosure and continue to engage on the topic with P&G and other and companies to ensure more of their pulp and wood is from Forest Stewardship Council-certified sources.

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

Fixed Income

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

Below are some examples of engagement activity provided by the most material fixed income funds the Scheme invests in.

Robeco Institutional Asset Management ("Robeco")

With respect to ESG considerations, the manager is particularly focused on improving business conduct and function of the companies they invest in. Robeco carry out extensive research on the companies they invest in, measure changes in company performance relative to engagement objectives and allow three years for engagement. Any cases closed unsuccessfully are considered for exclusion from the manager's funds.

Engagement Example: Multinational Oil Company

Over the last few years, Robeco has engaged with senior employees of a multinational oil company. The nature of the engagements was climate risk and the effects of this on the oil industry, principally significant transitional and physical risks.

In 2020, the company announced their aim to reduce the net carbon footprint of its energy products by around half by 2050. Robeco was supportive of the target and continued to push the company to set short term targets and link these to remuneration packages. In addition to announcing their 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 their planning and positioning for the energy transition.

BlackRock

BlackRock believe bond investors, with their often-multiyear perspective, are well-positioned to engage collaboratively with management to endorse and promote sound ESG practices. Such engagement enhances BlackRock's credit analysis, by providing them with more comprehensive credit profiles of their borrowers.

BlackRock's firm-wide engagement program also benefits investments in corporate bonds issued by companies. BlackRock Investment Stewardship ("BIS") is positioned as an investment function, which allows for the mutual exchange of views with active portfolio management teams across equity and credit. In addition, BlackRock's Global Fixed Income Responsible Investing ("GFI-RI") team may partner with the BIS team both to reflect ESG related topics from fixed income investors as well to attend or host engagement meetings on certain highlighted ESG flagged holdings. An ESG flagged holding is one where BlackRock hold a significant exposure in fixed income portfolios, and the issuer is flagged as low rated or controversial by external ESG rating providers or is highlighted by their credit research.

Engagement Example: Exxon Mobil

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

Schroders

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

Engagement Examples

Examples of engagements by Schroders with banks include:

- Development of a commitment to align the banks financing activities with the goals of the Paris agreement
- Reviewing and strengthening the bank's fossil fuel policies in line with the latest science and/or good practice
- Development of the Task Force on Climate-related Financial Disclosures ("TCFD")/climate risk reporting, including disclosure of additional climate metrics.

For banks that have already made progress in these areas, their discussions have focused on the robustness and evolution of their measurement and target-setting methodologies. Schroders have said it is still too early to assess the impact of their discussions however they have had a good response from the banks so far. Out of the 50 banks contacted over the last 6 months, they have met with 21 by the end of March 2021.

Alternative Investments

Over the period the Scheme was invested in a number of alternative strategies via AIL. These include liquid alternatives, illiquid alternatives, diversified absolute return, hedge funds and opportunities strategies.

The Trustee recognises that the investment processes and nature of the alternative investments may mean that stewardship is less relevant or may have a less tangible financial benefit. Nonetheless, the Trustee still expects that all their managers should open a dialogue to engage with the issuers/companies they invest in should they identify concerns that are financially material.

Below are some examples of engagement from some of the underlying alternative managers.

Marshall Wace: Hedge Funds

One hedge fund manager within the return-seeking hedge funds strategy, Marshall Wace, implements an annual survey of its stewardship activities with the aim of providing details of the principal occasions on which the manager has felt it appropriate to intervene on stewardship matters. The survey is accompanied by data related to the manager's routine involvement with company managers of their underlying investments as well as any proxy voting records carried out by their proxy voting provider, Glass Lewis.

Schroders UK Real Estate Fund

The AIL fiduciary portfolio includes an illiquid alternatives mandate with holdings in property and illiquid credit. Detail is provided below in relation to the incorporation of engagement and responsible investment policies in the investment process for one of these property managers, Schroders.

Schroders have been engaging with Battersea Studios, London which comprises two office buildings located in the district of Battersea, south west London.

Understanding the needs and expectations of existing and prospective tenants is essential and a comprehensive review focusing on health and wellbeing credentials has been undertaken. A wellness gap analysis was completed for the building and management operations against the Fitwel standard (a US based health and wellbeing assessment and certification routine for office buildings).

The review included conducting an occupant commuter survey to better understand transport requirements for building users (e.g. bike storage and showers), establishing an indoor air quality management policy and installing signs promoting stair use at lift call areas and handwashing in bathrooms.

Identified improvements have been implemented and the Fitwel certification completed in March 2019 with Building 1 officially awarded the first 'Fitwel for Workplace: Multi-Tenant Whole Building'

Certification in Europe, gaining a 1 Star rating. Schroder continue to develop their understanding of what health and wellbeing aspects contribute to improved tenant experience to further improve the building and the star rating.

In Summary

Based on the activity over the year by the Trustee and its service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that its fiduciary manager and the underlying appointed investment managers were able to disclose strong evidence of voting and engagement activity where appropriate.

The Trustee acknowledges that stewardship may be less applicable to certain asset classes such as fixed income and alternative investments, but generally would still expect to see responsible investment policies and processes formalised and developed over time.

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

Approved by PTL Governance Ltd as Trustee of the Brambles Enterprises (1996) Pension Scheme on 15 September 2021.

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