

Engagement Policy Implementation Statement

Port of London Authority Retirement Benefits Scheme (the “Scheme”)

The Engagement Policy Implementation Statement (“EPIS”) has been prepared by the Trustees and covers the Scheme year 1 April 2021 to 31 March 2022.

Introduction

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

- Explain how and the extent to which the 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 the Trustees (including the most significant votes cast) during the Scheme year and state any use of third party provider of proxy voting services.

Executive summary

Based on the activity over the year by the Trustees and their investment manager, the Trustees believe that the stewardship policy has been implemented. The Trustees note that its investment manager was able to disclose adequate evidence of engagement activity.

The Trustees expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement. The Trustees expect improvements from AVIVA on its reporting of fund level engagement examples. The Trustees’ investment advisor, Aon, will engage with AVIVA to encourage improvements in its disclosures.

Scheme stewardship policy

The below bullet points summarise the Scheme’s stewardship policy in force over the Scheme year to 31st March 2022.

The full SIP can be found here: <http://www.pla.co.uk/assets/plarbssipseptember2020final.pdf>

The Trustees are taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustees will have periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme's assets and liabilities.
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use ESG ratings information provided by Aon, where relevant and available, to monitor the level of the Scheme's investment managers’ integration of ESG on a regular basis.
- The Trustees will request all of the Scheme's investment managers to provide their Responsible Investment policy and details of how they integrate ESG into their investment decision making process on a regular basis. Should the Scheme look to appoint a new manager, the Trustees will request this information as part of the selection process. All responses will be reviewed and monitored with input from their investment consultant.

Scheme stewardship activity over the year

Ongoing Monitoring

The Trustees expect the Scheme's investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including, but not limited to, climate change risks) in the selection, retention and realisation of investments. The Trustees expect the managers to exercise their voting rights wherever possible and to promote positive change in the funds and companies in which they invest on the Scheme's behalf.

The Trustees receive investment updates from their investment consultant, including on matters relating to responsible investment. The Trustees' ongoing monitoring takes different forms, including ad-hoc market updates and annual investment risk disclosures. At the September 2021 meeting, available Carbon metric data and Cost Transparency data for the Scheme's investments was discussed; it was determined the Scheme would request and analyse the data on an annual basis going forward, with Aon liaising with managers on the Trustees behalf where necessary.

Training

In September 2021, the Trustees received training on regulatory changes that required Trustees of UK Pension Schemes to produce an Engagement Policy Implementation Statement ("EPIS") and publish it online annually. As part of the session, the Investment Advisor produced a summary of AVIVA's engagement policy, so the Trustees could determine if AVIVA's policies aligned with those of the Scheme (detailed in the SIP).

Engagement activity – fixed income

The Scheme invests in a Fixed Income strategy managed by AVIVA.

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

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

AVIVA – Sterling Bond Fund

Engagement policy

AVIVA engages with companies on ESG themes that it believes can effect meaningful change and impact. Its main themes of dialogue include climate, biodiversity, ecosystem protection and human capital among others.

It considers investor engagement as a change process where investors seek to improve investee companies' practises. AVIVA do this on behalf of its equity and bond holdings in listed and non-listed markets. AVIVA seeks to take an active engagement approach, emphasising direct dialogue with companies. When engaging with objectives, it systematically tracks engagement progress on a scale of zero to five, which sets out the range of possible outcomes:

- 1 - Engagement commences
- 2 - Company responds
- 3 - Insufficient progress ; escalation
- 4 - Company acknowledges issue
- 5 - Engagement succeeds
- 0 - Engagement fails

AVIVA has its objectives established upfront for every engagement. It conducts the engagement with issuers and tracks progress over time. It believes achieving effective change takes time, and it defines timeframes which it considers reasonable to achieve these objectives.

Engagement example (firm level): Carrefour

During 2021, AVIVA engaged with Carrefour SA (“Carrefour”), a French multinational retail corporation, on the subject of gender diversity. Based on discussions AVIVA had with Carrefour’s executive team and investor members, it identified that Carrefour is developing a dedicated action plan to achieve gender equality goals. At the end of 2020, Carrefour had 18% women on the Executive Committee and 58% overall. It has a plan in place to reach 40% women in key positions and 35% in the top 200 management positions by 2025.

Carrefour has also signed a global trade agreement that integrates conditions to protect female employees from violence at work and promote diversity and equal opportunity in the workplace.

AVIVA recognises Carrefour’s efforts to improve its gender equality performance and it looks forward to continuing to accompany them towards their gender diversity goals.