

Port of London Authority Retirement Benefits Scheme Engagement Policy Implementation Statement

This document sets out the actions undertaken by the Trustees, its service providers and investment managers, to implement the stewardship policy set out in the Statement of Investment Principles ("SIP"). The document includes voting and engagement information that has been gathered from the asset managers and an overview of how the policies within the SIP have been implemented during the reporting period.

This is the engagement policy implementation statement the Trustees have prepared and covers the year ending 31 March 2021.

Scheme Stewardship Policy Summary

The below bullet points summarise the Trustees' Stewardship Policy in force over the majority of the reporting year.

- The Trustees wish 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 and believes that this will ultimately protect the financial interests of the Scheme and its beneficiaries.
- As part of their delegated responsibilities, the Trustees expect the Scheme's investment managers to: 1) Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and 2) exercise the Trustees' voting rights in relation to the Scheme's assets.
- The Trustees expect the investment managers to provide details of their stewardship policies and activities and will engage where necessary for more information.

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

Stewardship Activity Over the Year

Updating the Stewardship Policy

The Trustees complied with the regulatory requirements to expand the SIP for several policies, such as costs transparency and incentivising managers. The Trustees also reviewed and expanded the stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustees recognise the importance of its role as a steward of capital, as well as indicating how the Trustees would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

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.

Engagement Activity – Fixed Income

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

Whilst no voting rights are applicable to fixed income mandates, the Trustees recognise that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and therefore there is a vested interest on the part of debt issuers to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be limited, particularly in comparison to equity investments, downside risk mitigation and credit quality is a critical part of investment decision-making. The following examples demonstrate some of the engagement activity being carried out on behalf of the Scheme over the year.

Engagement Policy

AVIVA embed responsibility into all levels of their organisation, in their purpose, people and processes. Through understanding ESG risks and opportunities, AVIVA believe they are better investors, delivering investment outcomes clients expect and making informed decisions on people, earth and climate.

AVIVA's engagement and voting team strive to reduce investment risk and enhance returns as well as drive positive impacts for society and the environment by:

- Employing a systematic and robust consideration of material ESG factors into investment decisions.
- Empowering investment managers to make the right decision for the best client outcome, supported by ESG capability integrated into their investment franchises via specialist teams.
- Using engagement, voting and investment decisions to drive a transition to a sustainable future.
- Working with clients, policymakers and regulators, sharing knowledge and collaborating to build a sustainable future for all.

Furthermore, AVIVA believe being a responsible financial actor means their investment approach must support the long-term sustainability of capital markets, economies and society. AVIVA look to achieve this by:

- Exercising rights and obligations as shareholders to ensure companies are run for those that own them, not simply those that run them.
- Engaging with issues, borrowers and counterparties to encourage the adoption of progressive ESG practises over time.
- Identifying clients' ESG preferences and seeking to provide them with suitable investment solutions to meet their ethical and sustainability needs.
- Operating a proprietary ESG data model synthesising internal and external data to provide an assessment of ESG risks on an absolute and relative basis.
- Developing bespoke ESG integration processes for core asset classes and fund strategies.
- Publishing annual proxy voting guidelines and a UK Stewardship Code compliance statement providing details of their RI approach and outlining views on ESG best practise.
- Avoid or divest positions when unmanaged ESG factors fall outside of our risk tolerance and engagement is deemed unsuccessful.

AVIVA have a long heritage of leadership in responsible investment, having published their corporate governance policy since 1994. They have included material environment and social issues within that policy in 2001 and became founding signatories of the UN Principles for Responsible Investment in 2006. The team focus engagement where for impact and alignment with UN Sustainability Development Goals ("SDG"s), this has included the launch of a global climate transition range as well as a commitment to deliver net-zero across real assets by 2040.

Engagement Example

In June 2020, the Hong Kong government introduced a new security law – a response to the democratic protests that swept the region through much of 2019 and early 2020. The law permitted the detention and prosecution of individuals deemed to be a threat to national security. The law also contained provisions that specifically targeted the financial sector, including the right for authorities to freeze the financial assets of anti-government protestors. Furthermore, the US government in its response imposed international sanctions on Hong Kong government officials who were perceived in leading the introduction of the new law.

Both events presented a set of complex political, regulatory and social challenges for international financial companies operating in the region. HSBC and Standard Chartered were two banks with large exposure to these risks.

AVIVA became concerned over potential human rights risks and were the first global investor to publicly voice their concern over HSBC's support of the new law. Aviva subsequently met the chairs and management of HSBC and Standard Chartered in the following weeks to better understand ESG and investment risks arising from the situation and to outline AVIVA's expectations.

Both companies outlined their actions to preserve their legal and social licence to operate. AVIVA also discussed a potential solution with HSBC to follow a precedent set by the telecoms sector in creating principles and disclosure frameworks for dealing with sensitive customer information requests from governments.

AVIVA continue to monitor the environment in Hong Kong and any associated impact on and response from banks operating in the region.

In Summary

Based on the activity over the year by the Trustees and their service provider, the Trustees are of the opinion that the stewardship policy has been implemented effectively in practice. The Trustees note that the investment manager was able to disclose evidence of engagement activity.

The Trustees 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.

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