FRC Stewardship Code Submission

Royal Mail Pension Plan 31st March 2023

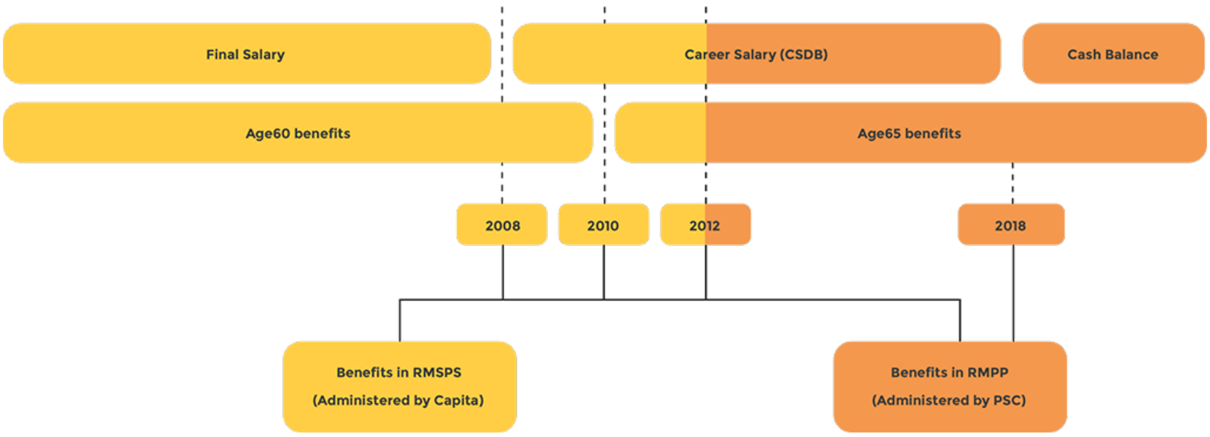
FRC Stewardship Code Submission – Royal Mail Pension Plan – 31 March 2023

Principle 1 – Purpose, Strategy, Culture
Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Purpose
The Royal Mail Pension Plan looks after all the contributions and investments needed to pay the benefits that have been earned from 1 April 2012. The Plan has over 124,000 members and assets in excess of £13bn. As further detailed at Principle 6, the Plan's membership profile is relatively young, which means that a long-term horizon, with sustainable returns is integral to the Plan's overall strategy.

The Plan is managed by a Trustee company – or corporate trustee – called Royal Mail Pensions Trustees Ltd. It has a board of Trustee Directors, who all act in the same way as individual trustees would.

The Plan is divided into different sections depending on when the employee joined the Plan.



(Benefits accrued prior to 1 April 2012 are covered by a separate government arrangement called RMSPS, which is not the subject of this submission but which is referred to in the above structure chart for completeness.)

Strategy
The investment strategy of the Plan aims to safeguard the assets and to provide, together with contributions, the financial resource from which benefits are paid.

To do this, the Trustee has historically chosen to delegate day-to-day management of each Section's investments to a number of Investment Managers, with oversight and operations provided by the Trustee Executive. In February 2023, BlackRock was appointed as the Plan's outsourced CIO (OCIO) provider to take over much of the oversight and operations role previously undertaken by the Trustee Executive.

This strategy is governed by the Plan's Statement of Investment Principles (SIP) which covers important areas such as Risk, Diversification, Asset Allocation, Selection and Appointment of Investment Managers and Responsible Investment amongst others. The SIPs for each Section can be found at https://www.royalmailpensionplan.co.uk/section-c/media-library.

Culture

The Plan follows the values set out in Royal Mail's Business Standards:

- Be Positive
- Be Brilliant
- Be Part of It

These values manifest themselves through the Plan's Stewardship process, as set out in the Responsible Investment section of the SIP and detailed in the sections that follow in this report.

Ongoing training has an important role in informing Trustee engagement over the areas covered in the SIP. Over the reporting period there were 5 Board meetings and ongoing Trustee training on topics including net zero feasibility and carbon credits.

As institutional investors, the Trustee has a duty to act in the best long-term interests of beneficiaries, which in this context means that the Trustee's objective is to ensure that Plan is invested so as to enable the Trustee to pay member benefits when they fall due. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). The Plan has signed up to the United Nations backed Principles for Responsible Investment (UNPRI) and recognises that applying these Principles may better align investors with broader objectives of society.

This belief has been codified by the Trustees in a Responsible Investment Mission Statement that reads:

- We recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that may increasingly require explicit consideration;
- We commit to be an engaged and responsible long-term investor in the assets and markets in which we invest;
- We believe that the integration of financially material environmental (including climate change), social and governance ('ESG') factors within our investment process was not detrimental to the risks and may enhance the sustainable long term expected returns from the Plan's investments;
- We aim to appoint and retain managers whose beliefs and practices are consistent with our beliefs on ESG risks and opportunities (where relevant to their mandate) and we encourage best stewardship practice from our investment managers; and
- As part of our commitment to Responsible Investment, the Plan is a signatory to the United Nations Principles for Responsible Investment (UN PRI).

Through the reporting period the culture of Stewardship and continual improvement was most clearly demonstrated by the appointment of a Trustee ESG and Stewardship champion. This was an action from the ESG roadmap setting out actions the Trustee can take to strengthen its approach to ESG over the short, medium and longer term.

Over the reporting period, through its Investment Sub-Committee, the Trustee:

- Has received reports from its managers on how they have exercised their voting rights and how they have engaged with investee companies. The Trustee holds the investment managers responsible for their decisions in the use of voting rights on all issues. As part of the regular quarterly monitoring, the Trustee Executive explains the expectations and views of the Trustee across important current issues as well as focusing mangers to continually improve and engage within their own organisation This is in keeping with the principles outlined in the Code;
- Conducted an ESG RAG scoring exercise across all managers, including those managing alternative assets
- Has ensured that those of its investment managers who hold UK listed shares comply with the FRC's UK Stewardship Code; and
- Has received reports from Sustainalytics (appointed by trustee to provide a bespoke responsibility engagement overlay, as further detailed below), who engages with companies in the Plan's equity and corporate bond portfolios, and makes recommendations. Sustainalytics engage on numerous issues including environment, human rights, labour rights and business ethics.

1.

The Trustee recognises that engagement is a key tool in driving change and Plan's investment managers are regularly reviewed and scored on their ESG policies and activity.

For the past four years, the Plan has also been collecting cost transparency information from its investment managers via a third party provider, and benchmarking overall Plan costs to a relevant peer group of UK and international pension funds. To date there have been no remedial actions necessary from the analysis.

The effectiveness of the Plan in delivering on its goals is best measured by the security of members pensions. The tables below show that both Sections are in surplus, with assets greater than the value of liabilities.

RMG Section

	Funding Update as at 31 March 2020	Actuarial Valuation as at 31 March 2021
Liabilities	£10,664 million	£10,641 million
Assets	£11,183 million	£11,302 million
Surplus	£519 million	£661 million
Funding level*	105%	106%

*Assets divided by liabilities

DBCB Section

	Funding Update as at 31 March 2020	Actuarial Valuation as at 31 March 2021
Liabilities	£717 million	£1,151 million
Assets	£735 million	£1,181 million
Surplus	£18 million	£30 million
Funding level*	103%	103%

*Assets divided by liabilities

Principle 2 – Governance, Resources and Incentives
Signatories' governance, resources and incentives support stewardship.

Governance
As a defined benefit pension scheme, RMPP is governed by a board of Trustees. Royal Mail Pensions Trustees Limited ('RMPTL') acts as Trustee for RMPP. The Board of RMPTL is supported by an executive team of pension management professionals who advises the Board on its responsibilities and ensures that Board decisions are fully implemented.

The Trustee has several responsibilities and is the main decision-making body for the Plan. It must always act in the best interests of all RMPP beneficiaries – this includes deferred members, pensioners and beneficiaries, as well as members who are currently working. Specifically, its mission is 'to pay all of the benefits as they fall due under the RMPP, in accordance with the Trust Deed and Rules.'

The Trustee Board has positions for four employee-nominated and four employer-nominated Trustee Directors and one Independent Chair.

The Board has established the following standing Sub-Committees and working groups (the number of meetings held during the year is shown in brackets):

Sub-Committees:
- Administration (4)
- Audit, Risk & Finance (3)
- Funding (1)
- Investment (4)

Working Groups:
- Implementation Working Group (5)
- De-risking Working Group (1)

Additionally, the following Sub- Committees conduct business by correspondence and by meeting as required:
- Internal Disputes Resolution (2)
- Discretions (3)
- Emergency events (0)

The Trustee Directors who sit on the Trustee Board delegate the day-to-day management to the Trustee Executive.

The Trustee Executive is a diverse group that provide a link between the Trustee Board and its external advisers. It is formed of a 15-strong team of expert individuals whose skills cover:
- Finance
- Accounting
- Management
- Alternative and and Non Alternative Investments
- Communication
- Risk Management
- Acutarial
- Legal and Compliance
- Operations

The role of Trustee Executive is to:

- advise the Board on its responsibilities and ensure that Board decisions are fully implemented
- Satisfy the Trustee Board
- Manage suppliers
- Liaise with Royal Mail and Associated Employers
- Liaise with the Unions and Federations
- Liaise with members
- Carry out effective internal communications
- Set realistic objectives
- Focus on achieving objectives, assuming accountability and meeting responsibilities.

The Trustee Executive team is led by:

Richard Law Deeks – Chief Executive Officer – Richard joined RMPP in 2015, sits on the DB Committee of the Pension and Lifetime Savings Association (PLSA) and is a qualified accountant.

Balvinder Aujla – Head of Finance and Operations - Bal is a Chartered Accountant with significant experience in pension scheme accounting, finance and operations from a number of schemes, including GSK and Aviva.

Mark Rugman – Head of Membership and Benefits - Mark Joined Royal Mail in 1998 and worked in the Pensions Service Centre before moving to Royal Mail Pensions Trustees Limited in 2005.

Michael Airey – Head of Actuarial – Michael is a qualified actuary and joined the Royal Mail Pensions Trustees Limited in March 2016. His responsibilities involve supporting the Trustee Executive on Actuarial, Funding and Covenant matters.

Sophie Huet – Legal and Compliance Manager – Sophie joined RMPTL in 2013 and previously had 15 years' experience in the financial legal sector. She is qualified as a UK Solicitor, Irish Solicitor and Cayman Islands Attorney-at-Law.

Joseph O'Sullivan – ESG and Stewardship lead - Joe has worked at RMPTL for over 20 years in the Investment team and is a holder of the CFA Investment Management Certificate. He has led the Plan's ESG/Stewardship effort for the last 10 years.

The tables below summarise the diversity of the Trustee Executive and its recent evolution:

Ethnic Origin	01.2018	01.2023
Ethnically Diverse	10%	25%
White	70%	42%
Unknown	20%	33%

Gender	01.2018	01.2023
Female	30%	50%
Male	70%	50%

The Investment Subcommittee, Working Groups and the Executive together include a focus on stewardship as part of the policies outlined in Principle 1.

Resources
The Stewardship activities of the Plan are multi-layered, and made up of both internal and external resources:

- Trustees – The Trustees set the stewardship goals
- The Trustee Executive – implements the stewardship decisions of the Trustee and guides the collaborations with other investors including UNPRI and Climate Action 100+
- Advisors – The Plan employs specialist advisors to help with stewardship activities, including:
    - Sustainalytics – responsible engagement overlay manager
    - ICE (formerly Urgentem) –help measure the carbon footprint of the Plan's investment portfolio
- Investment Managers – who are required to manage assets on the Plan's behalf in a manner that is consistent with the Plan's stated ESG and Stewardship beliefs.

In February 2023, BlackRock was appointed as the Plan's outsourced CIO (OCIO) provider. Three staff from the Executive were transferred to BlackRock as part of the appointment. The arrangement provides for even greater Stewardship resource for RMPP, with the Plan enjoying access to BlackRock's Investment Stewardship Team, with over 50 people across 8 offices globally. BlackRock are expected at inception to implement the Trustee's policy (including as to Stewardship) and Trustee took BlackRock's ESG capabilities into account as part of the appointment (see Principle 7 for more detail). The appointment was very late in the reporting period for this report, and the Plan looks forward to reporting further on how this resource is incorporated by the Plan in next year's report.

The last year saw the trend continue of increasing resources relating to Stewardship, ESG and reporting, with specific work carried out, with the help of advisors, in:

- actioning and updating the Plan's ESG roadmap of actions for the months, and years to come;
- measuring the Plan's carbon footprint, and;
- establishing an ESG and Stewardship Champion on the Board of Trustees to improve the governance structure and ensure ESG and stewardship are incorporated in all Trustee decisions

Incentives
The Plan's employees do not make investment decisions and as such the incentives and expectations of the Plan are communicated with the Plan's asset managers for implementation. As outlined in Principle 7 and elsewhere in this document, the Plan explicitly integrates ESG and Stewardship ratings into the manager selection and manager monitoring framework. Through the Investment Sub-Committee, the Trustee also scrutinises quarterly voting reports from equity managers and ensures that managers re-certify annually that they are managing in accordance with stated aims in the SIP. These actions create a demonstrable incentive for managers to continually improve their stewardship offerings.

As outlined in Principle 8, the Plan has been able to use its influence with its absolute return investment managers to encourage them to improve their ESG credentials by becoming a signatory to the UNRPI. Five of the Plan's managers were added to the UNPRI signatory list during the reporting period.

Principle 3 – Conflicts of Interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

The assets of the Plan are held in trust for members by the Trustee and are managed independently from the finances of the employers.

The Plan requires the investment managers it employs to have effective policies addressing potential conflicts of interest, with such requirements making up part of the investment management agreement. During the reporting period, no managers reported any conflict of interest as it related to the investments of the Plan.

In respect of conflicts of interest within the Plan, the Trustee Executive, employees and contractors of the Plan are subject to the Royal Mail Group Conflicts of Interest Policy. The Policy outlines the standards of behaviour required of employees where there is, or are the potential for, a conflict of interest to arise from their interests or as a result of the exploitation of work related relationships or information. Please see the Conflicts of Interest section of the Royal Mail Business Standards available at https://www.myroyalmail.com/sites/default/files/2021-08/Our%20Business%20Standards%20-%20Aug%202021.pdf

Trustee Directors are required to make declarations of conflicts of interest at the start of Trustee Board and Sub-Committee meetings. Two examples from recent years include:

- a Trustee declaring a conflict of interest where a family member was employed by an asset manager whose appointment was under consideration by the Investment Sub-Committee. The conflict was noted and the Trustee was excluded from the decision making for that mandate.
- A Trustee declaring that he had worked for an advisor who was involved in recommending a potential new investment. The conflict was noted and the Trustee was excluded from the decision making for that mandate.

The Plan outsources voting to its investment managers who are required to certify annually that votes are cast in a manner consistent with Plan's Statement of Investment Principles, evidencing a commitment to the best interests of the beneficiaries of the Plan. The Plan's equity managers all provide a conflicts of interest policy as well as a proxy voting policy, which are reviewed annually by the Trustee's Executive team to ensure the best interests of the Plan's beneficiaries are prioritised, ahead of an update to the Trustee Board. The most recent review found all manager's voting behaviour to be in line with the Plan's SIP.

Principle 4 – Promoting Well-Functioning Markets
Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Identifying and Addressing
The Board has established a risk management framework which enables it to review on a regular basis the risks faced by the Plan. Through the Investment Sub-Committee, the Executive, advisors and managers, the Plan regularly tracks, debates and plans for risks and key themes in the investment markets. Specific major risks are also discussed at Trustee Board level. The Plan benefits from the thought leadership of many of its advisors and managers in identifying systemic and market-wide risk. For example, during the reporting period the Plan implemented third party risk management dashboard software to better identify and track the key risks to each Section of the Plan including ESG and Stewardship risks.

The Plan also conducts an annual risk review with advisors and the Executive updating risk reporting for new risks and actions taken. Having worked with advisors to identify and monitor risks, the Trustee engages with managers as necessary to respond to and manage the risk.

Overall oversight of risk management and internal controls within RMPP has been delegated by the Trustee Board to the Audit, Risk and Finance (ARF) Sub-Committee. The ARF Sub-Committee is responsible for agreeing the framework for assessing, monitoring and managing the key risks within RMPP and provide recommendations on these risk matters to the Board.

Risks identified and action plans for their management are recorded in the Risk Register, (see 'Climate Risk' below for a Stewardship-specific example of the risk register process). The Trustee and ARF have oversight of all risks, with controls for each delegated to a risk-owner within the Executive team and a relevant sub-committee. Through support from the Executive, the sub-committees provide continuous monitoring of the risks in the register.

Climate Risk

In 2021 the Executive established an internal Carbon and ESG Steering Group to specifically address and plan for ESG risks. With the help of any external advisor, a project was undertaken with the Trustees to establish the ESG ambitions for the Plan, and set out a roadmap of actions to match those ambitions.

The Trustee has announced a plan to be net zero by 2050. In March 2022 the Trustee agreed an interim target of a 50% reduction in GHG emissions for corporate bonds and equities across all scopes (1 to 3) relative to a 2015 baseline by 2030. The Amber risk rating mentioned in last year's report has been reduced to Green.

Policy Collaboration

RMPP is a signatory to a number of industry-wide ESG initiatives, including the UNPRI, Transition Pathway Initiative and Climate Action 100+, as a way of collaborating to mitigate the systemic risks posed by climate change, and encourages the Plan's investment managers and advisors to also participate in industry-wide initiatives. The Plan's direct role in these initiatives so far is mainly as a supportive signatory and to support our managers in taking direct action on the Plan's behalf. Please see Section 7 below for more information on the Plan encouraging managers on industry-wide collaborations.

RMPP retain the services of Sustainalytics to actively participate, alongside other asset owners, in using shareholder activism to drive better ESG outcomes amongst the companies that the Plan is invested in.

Further information on how the Plan has integrated stewardship and ESG issues into the Plan's investments and process can be found in Section 7.

Case Study – Responding to market-wide and systemic risks

The turmoil in the UK financial markets in Sept/Oct of 2022 impacted many defined benefit pension schemes with investment strategies designed to protect against interest rate and inflation movements. The RMPP was able to take actions to protect the plan and ensure that member benefits remained secure and the strong funding level was maintained.

Principle 5 – Review and Assurance
Signatories review their policies, assure their processes and assess the effectiveness of their activities.

RMPP's Key Policies and Procedures appear in the annual report (https://www.royalmailpensionplan.co.uk/wp-content/uploads/2022/09/Royal-Mail-Pension-Plan-Accuonts-_FY-21-22-21-July-2022-Final.pdf), including the date each was last reviewed.

The Plan's Responsible Investment policy is subject to the same review and form part of the periodic internal and external audit programme.

The Plan's Stewardship goals are fundamentally embodied in the Statement of Investment Principles, which was last updated December 2021 and is reviewed annually, most recently in September 2022.

The Plan is continually seeking to improve and adapt its Stewardship policies and has established an ESG and Stewardship roadmap and action tracker to support the Trustee's objectives over the short, medium and long term. This roadmap forms the basis of assessment for the Plan's activities and procedures, and help set the Plan's expectations of their external investment managers going forward. The roadmap and action tracker are reviewed and updated quarterly by the ESG and Climate Steering Group.

The Plan reviews external non-alternative managers on a six-monthly basis to assess ESG activities, and annually for alternatives mangers. Similarly the Plan conducts an annual compliance review with all managers to ensure alignment with the Responsible Investment policy as set out in the SIP. Please see Section 8 for a description on the most recent ESG reviews of the Plan's investment managers.

As signatories to the UNPRI, the Plan benefits from a periodic assessment of the Plan's ESG and Stewardship as it relates to the UNPRI principles. The most recent review provide was for 2020, showing the plan scored A or A+ in all categories, and was also at or above the median score in all categories.

Summary Scorecard

AUM	Module Name	Your Score	Median Score
	01.Strategy & Governance	A	A
Indirect - Manager Sel., App. & Mon			
<10%	02. Listed Equity	A+	A
>50%	03. Fixed Income - SSA	A	B
<10%	04. Fixed Income - Corporate Financial	A+	A
<10%	05. Fixed Income - Corporate Non-Financial	A	A
<10%	07. Private Equity	A	A
<10%	08. Property	A	A
<10%	09. Infrastructure	A	A
Direct & Active Ownership Modules			
0	11. Listed Equity - Active Ownership	A	B

UNPRI suspended reporting in 2022 and a new reporting framework will be submitted in August 2023.

RMPP also submits an Implementation Statement as part of the annual scheme return to The Pensions Regulator, with no issues raised during the reporting period.

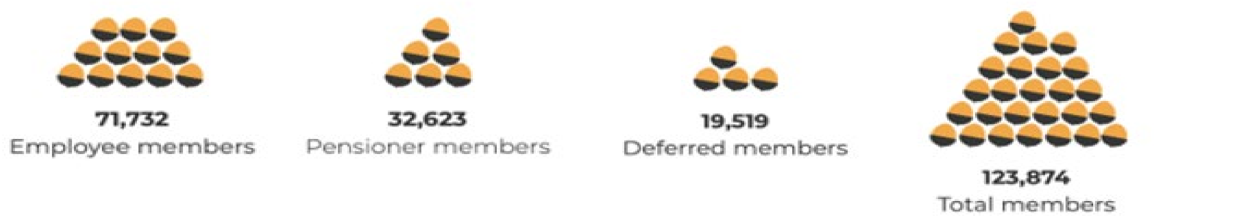
Stewardship reporting is reviewed by external legal and other advisers as necessary before circulation to the Board of Trustees to ensure fair, balanced and understandable reporting.

Principle 6 – Client and Beneficiary Needs
Signatories take account of client and beneficiary needs, and communicate the activities and outcomes of their stewardship and investment to them.

As mentioned in Principle 1, The Plan looks after all the contributions and investments needed to pay the benefits that have been earned from 1 April 2012 for the RMG defined benefit Section, the Defined Benefit Cash Balance Section, and the POL defined benefit Section. The assets of the Plan are held in trust for members by the Trustee and are managed independently from the finances of the employers.

The Plan has roughly 124,000 members split between Employee members, Pensioner members and Deferred members.

There are a lot more members paying into the RMPP and building up benefits, 'Employee members', than there are taking out a regular pension, 'Pensioner members'. There are also members that don't pay in anymore but aren't yet taking their pension, 'Deferred members'. The table below shows the current split of members at 31 March 2022:



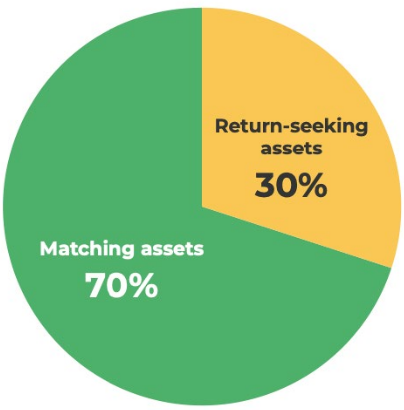
This relatively young membership means a liability profile that stretches for decades into the future. The DBCB Section is a cash balance scheme, providing a lump sum on retirement, so has a shorter set of liabilities than does the more tradition defined benefit RMG Section. This informs the investment time horizon for each Section, with the DBCB Section having a duration of about 10 years, and the RMG Section being longer at about 20 years.

The RMPP is financially secure, with £13.6 billion invested at 31 March 2022. These assets are there to make sure every member gets their pension, when it's time for them to retire. It's also there to support their loved ones after they die. It's the Trustee's duty to make sure the money held in the RMPP is invested in the best way possible. That means making sure that the money is both secure and able to grow, taking appropriate account of both risks and returns.

With the help of investment professionals, we invest in two different types of assets, 'matching' and 'return-seeking'. Matching assets keep track with the changes in the cost of providing pensions, whereas return-seeking assets are invested with the aim of increasing in value as much as possible, without taking undue risk.

The following pie chart shows that there is a larger amount invested in matching assets than in return- seeking assets, as the Trustee is prioritising security over higher risk and reward.

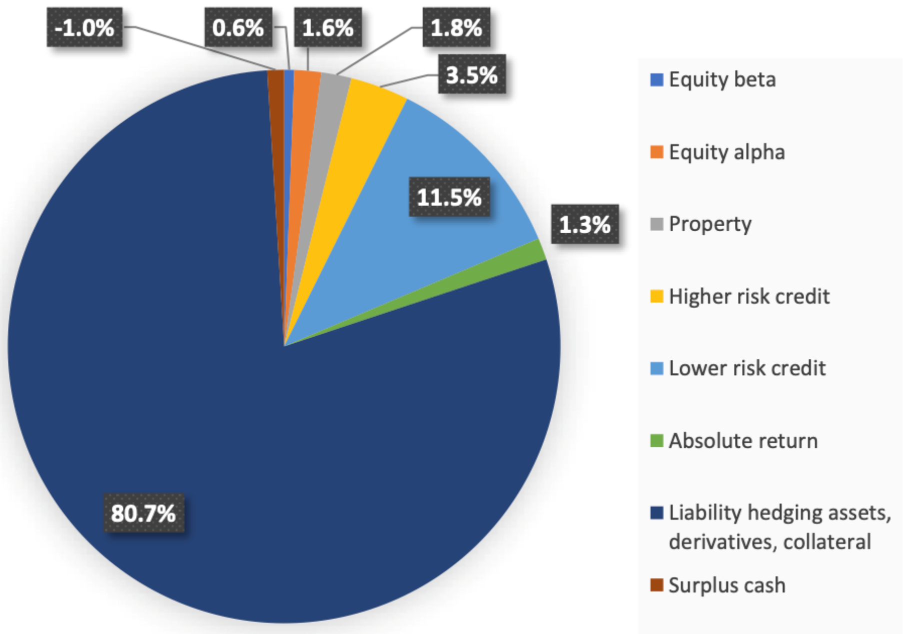
Asset split as at 31 March 2022:



The investment strategy of the Plan aims to safeguard the assets and to provide, together with contributions, the financial resource from which benefits are paid. Investing assets inevitably exposes the Plan to risks. These risks can be broadly classified as those inherent in the safe custody and record- keeping of assets and those inherent in the investment markets. The assets of the Plan are kept totally separate from the finances of the Sponsoring Employers. In order to control their title and security, the Trustee holds the assets in designated custodian accounts and uses the safekeeping services of the custodian. The risks inherent in the investment markets for the RMG Section (and DBCB Section) are partially mitigated by pursuing a widely diversified approach across asset classes and investment managers. The majority of POL Section's assets are now held under the buy-in policy with Rothesay.

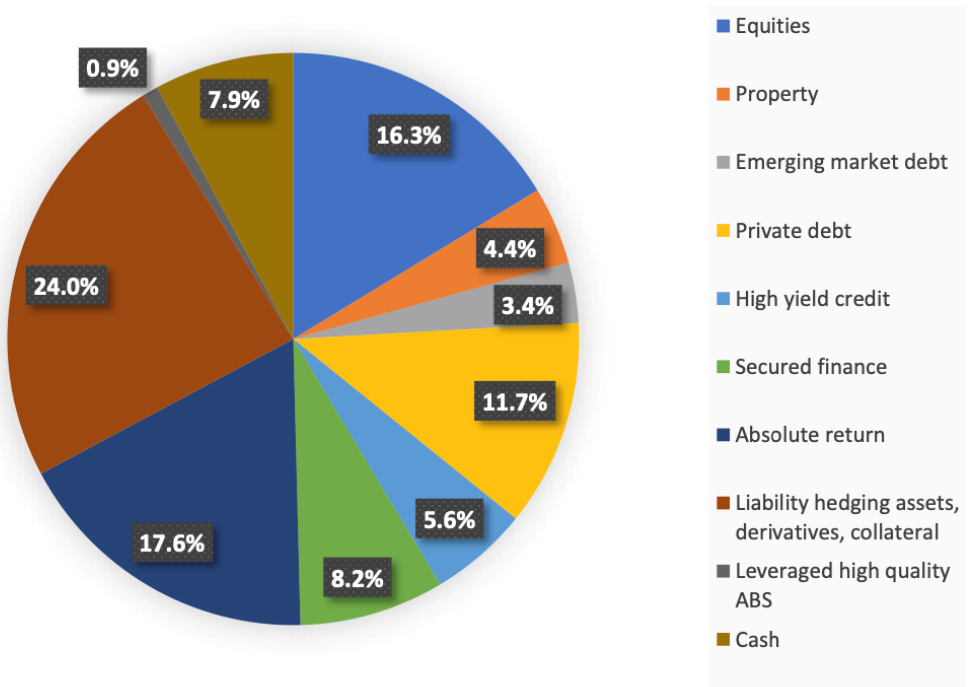
The asset class breakdown for each of the Sections in the Plan is shown below. Please note that Liability Hedging assets include UK government bonds ('gilts'), derivatives (predominantly swaps and options) and repurchase agreements (Repo):

RMG Section Asset allocation up to 31 March 2022



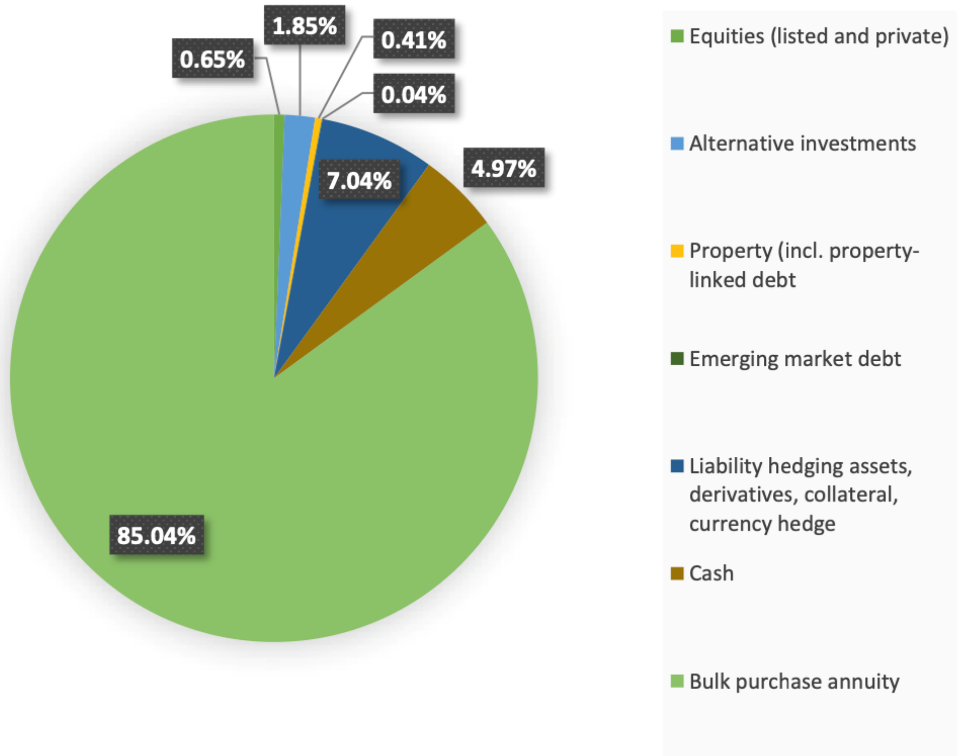
Swaps (inc TRS) 1.4% **Repo 4.5%** i.e. the absolute value of the derivatives' underlying amounts as a percentage of the total asset value of the RMG Section

DBCBS Asset allocation up to 31 March 2022

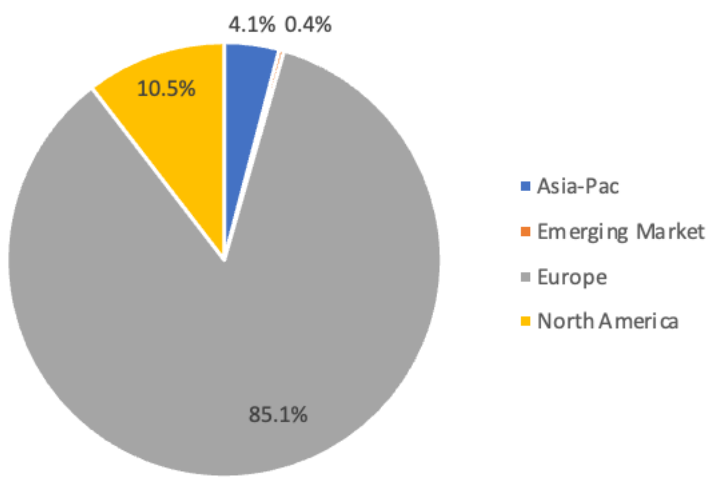


Swaps (inc TRS) 15.5% **Repo 23.6%** i.e. the absolute value of the derivatives' underlying amounts as a percentage of the total asset value of the DBCBS

POL Section Asset allocation up to 31 March 2022



A regional breakdown of the assets across all three Sections is shown below.



Communication

The Plan's communication strategy is focussed on making sure reporting is fair, balanced and understandable.

As part of the strategy, the Plan produces an Annual Report and Financial Statement but also communicates with members through a number of other channels:

- Pensions Newsletter - Sent each spring to all members/beneficiaries of the Plan. General updates and newsworthy articles, information sharing and progress on any initiatives.
- Trustee Report - Sent each autumn to all members/beneficiaries. Provides an update on the funding and investment position and membership/financial

movements and any other matters relevant to the Plan's governance or activity. Sometimes referred to as the 'Popular Report & Accounts'. The most recent Trustee Report included a summary of the Climate Change and Net Zero Targets of the Plan and can be found at https://www.royalmailpensionplan.co.uk/wp-content/uploads/2022/09/MKG06808-Royal-Mail-Popular-Report-2022_v1.2SP-2.pdf

- Annual Benefit Statements - Sent each autumn to employee and deferred members. For employees, this will show their accrued pension/lump sum entitlement based on service up to the 31 March that year. Additionally, this statement provides details of death benefits, date of most recent 'expression of wish' and general benefit information and reminders (e.g. to review any AVC investments or update expression of wish). For deferred members, it provides 'current value' of their preserved Plan benefits and most recent annual increase along with above prompts/reminders.

Feedback

Generally, all the above materials invite comment/feedback or questions to the Pensions Helpline (phone, writing or email). In recent years we have introduced QR codes to communications which can be personalised. So, instead of saying – go the website to find more, we can invite members to scan and be directed straight through to the page/information that is relevant to them (or the section of which they are a member).

Although the Plan does specifically seek feedback on specific topics occasionally, with the large member base it has been found to not always be the most effective means of determining member preferences, desires and beliefs.

Despatch of the above annual material generally prompts a spike of calls to the Helpline, and these are captured using call categorisation. Similarly, a spike of website visits is usually noted, and we use Google Analytics and 'Hotjar' to map movement around the website and number of page views, video animations watched etc to help identify any issues.

We have previously used focus groups at work locations around the country to understand the 'voice of the member' – how members of the Plan speak about their benefits and what they like, don't like and would like to see in our engagement with them.

The Plan encourages feedback from members across all topics, including Stewardship and Engagement. Specifically, the Plan has annual engagement meetings with the Trade Union representing many of the Plan's members to talk in more detail about the activities of the Trustees including topics on investment, stewardship and ESG policy.

The membership is effectively represented through the member nominated trustees. During this reporting year, one of the member nominated trustees was appointed as the first ESG and Stewardship Champion on the Board of Trustees. The member nominated trustees are active with the employers and unions in presenting information regarding pensions to the members, and crucially receiving feedback. The Plan believes this is the most effective means of engaging with members on Stewardship.

Principle 7 – Stewardship, Investment and ESG Integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities

The Royal Mail Pension Plan takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship Code, and explicitly asks existing and prospective managers whether they do as well. Currently 15 of the Plan's external managers representing 86% of the Plan's assets have signed up for to the FRC Stewardship Code, as well as seven of our other service providers.

The approach to Stewardship is integrated directly in RMPP's investment process as set out in the Responsible Investment section of the Statement of Investment Principles (described in Section 1 above).

When selecting investment managers, the manager's SRI, ESG, and stewardship policies are explicitly considered and included in the broader criteria of selection. The RFP process during the year that resulted in BlackRock being appointed as OCIO for the Plan had a weighting of 15% assigned to ESG criteria, as high a weighting as any other single criteria in the process.

Stewardship is seen as part of the responsibilities of share ownership, and therefore an integral part of the investment strategy. As a well-known UK pension scheme, the Plan's Trustees are keen to lead by example in implementing best practice Stewardship initiatives. The Plan states in its Statement of Investment Principles (SIP) that it requires its investment managers to discharge their responsibilities in respect of investee companies that they invest in accordance with the UK Stewardship.

The Plan schedules ESG (including climate risk) monitoring meetings with managers across all asset classes including Liability Driven Investment (LDI) managers (that make up c.75% of the whole Plan's investment portfolio) to engage on their development of ESG and climate risk integration in their investment process and to ensure that they are prepared for complying with the reporting required by Task-Force for Climate-Related Financial Disclosures (TCFD).

In furtherance of the Sustainable Investment and Corporate Governance sections of the SIP, this year the Trustee has:

- Completed an Environmental, Social and Governance (ESG) review of all the alternative and non-alternatives managers. Please see the response to Principle 8 for more details;
- Completed an ESG roadmap action tracker outlining and tracking actions to support the Trustee to achieve its ESG ambitions, across the short, medium and longer term. The roadmap sets out a number of actions across Governance, Investment Strategy, Risk Management, Engagement, and Reporting and Transparency to be undertaken over varying time periods;
- Has had quarterly ESG and Climate Steering Group meetings to track and update the ESG roadmap;
- Continued and expanded the Carbon Measurement project with ICE (previously Urgentem). The first step in reducing the Plan's carbon footprint is to measure it. The project focussed first on listed equities and bond positions to measure their carbon footprint and to analyse how well aligned the portfolio is

as a whole with various global carbon reduction goals. The project is being expanded to include all of the Plan's investments.

- Ensured that those of its investment managers who hold UK listed shares confirm their compliance with the FRC's UK Stewardship Code;
- Continued with the appointment of Sustainalytics to engage across all the Plan's equity and corporate bond holdings on ESG issues where required and to make recommendations. Specifically, the Sustainalytics Material Risk Engagement focused on financially material ESG issues by engaging with companies ranked in the bottom half of their industry by ESG rating. An ESG engagement report from Sustainalytics was received and reviewed quarterly, and in the most recent quarter, by way of example, Sustainalytics engaged with 50 companies in the Plan's portfolio, with a focus on labour rights, human rights, environment and business ethics (please see response to Principle 9 for more detail);
- Continued engagement with Climate Action 100+, a body that engages with one hundred plus companies to take action to reduce their carbon intensity and to align themselves with the TCFD recommendations to substantially reduce greenhouse gases; and
- Continues to explore the merits of joining other climate related initiatives and is working with the Employer to help ensure that Royal Mail as a company is properly aligned with compliance and reporting on TCFD

The Trustee beliefs and principles are clearly set out in the SIP and the Trustee has been demonstrably committed to good stewardship for many years. The Plan adopted the Financial Reporting Council's (FRC's) UK Stewardship Code in 2011 and has been a signatory to the United Nations Principles of Responsible Investment (UNPRI) since 2009.

Over the past year the Plan has demonstrated a commitment to stewardship through its new investments and via its managers across asset classes. Evidence of Stewardship though the voting process is detailed in the sections that follow for the Plan's equity and bond managers.

Some examples of the Plan's manager's stewardship approach across non-equity asset classes over the reporting year include:

- **LaSalle** – The Plan's property manager has updated ratings for flood risk and energy efficiency for the core property and long income portfolios. The manager is actively taking flood mitigation actions and working to improve energy efficiency ratings.
- **Abrdn** – A corporate bond manager for the Plan, Abrdn is actively engaging with companies in the portfolio across a range of ESG issues.
- **BlackRock** – the LDI manager have made a number of climate and ESG related initiatives in the portfolio, including ratings on swap counterparts, and engaging with the UK government directly on green bonds

Please see the Appendix for more detail on the Stewardship engagement activities from some of the Plan's non-equity managers.

Principle 8 – Monitoring Managers and Service Providers
Signatories monitor and hold to account managers and/or service providers.

Both monitoring and holding to account the Plan's asset managers is fundamental to the Plan's implementation of its Stewardship responsibilities. The Plan conducts regular quarterly reviews with all managers that cover many topics including performance, personnel and corporate changes, portfolio risk, concentration, voting, and market outlook, as well as ESG and stewardship updates.

This year, the Plan completed a ESG RAG rating for all the non-alternatives and alternatives managers.

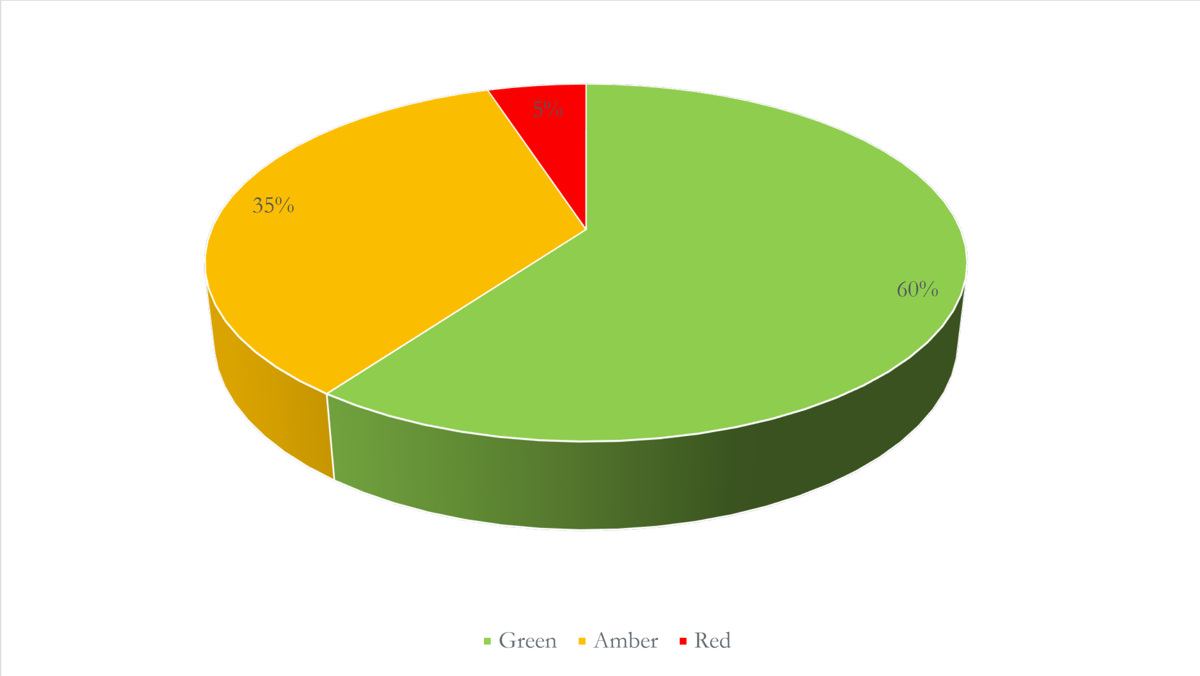
Non-Alternatives managers are generally more advanced in their ESG/Climate risk and opportunities capabilities than the alternatives managers. The criteria for non alternatives managers therefore is that RED signifies some material gaps in their ESG policy (rather than no ESG policy as for alternatives managers). AMBER signifies some gaps in the proposed criteria, but they are providing evidence of improving their position. GREEN signifies a current strong position on ESG risks and opportunities, but still continue to periodically monitor their further development.

The criteria, where applicable, requires managers to meet the following:

1. The manager uses ESG Risk Committee/ESG Analyst/ESG Ratings;
2. The manager has demonstrated ESG (including climate) integration into their investment process;
3. They have signed up to UN PRI and their most recent rating is A+ or A;
4. They have made a successful submission to the FRC Stewardship Code (where applicable);
5. They have signed up to a collaborative body on climate change like Climate Action 100+ or Carbon Disclosure Project (CDP) or other similar bodies;
6. They have full Proxy Voting coverage in the portfolio they run for the Plan (Equity Managers only);
7. Their assets comply with the Energy Performance Certificate (EPC) ratings A to E (Real Estate managers only); and
8. The TCFD reporting is robust and the outputs are easy to monitor and reflect an upward trajectory in the objective (e.g. Net Zero by 2050).

Out of the 20 non alternative managers rated, 12 are currently considered GREEN, 7 are on AMBER and 1 on RED.

The following chart highlights this in percentage terms of the Non-Alternatives part of the Plan:



The only RED manager was Spouting Rock. This was due to the manager only having part coverage of their Proxy Voting regions, they also had only signed up to UNPRI in January 2022 so had no rating as yet and they have not signed up to a collaborative body on climate.

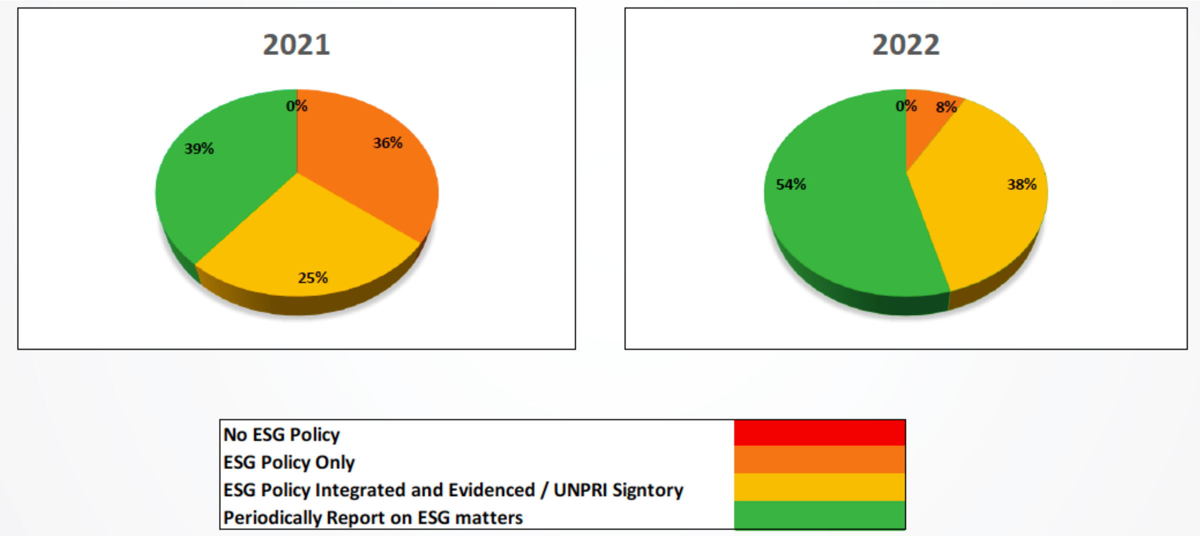
However, Spouting Rock is currently working with JP Morgan, the Plan custodian, to get full coverage on Proxy Voting and they will get a rating from UNPRI later this year. This should move the manager to at least AMBER.

It is pleasing to note that all managers in the Non-Alternatives part of the Plan have signed up to UNPRI.

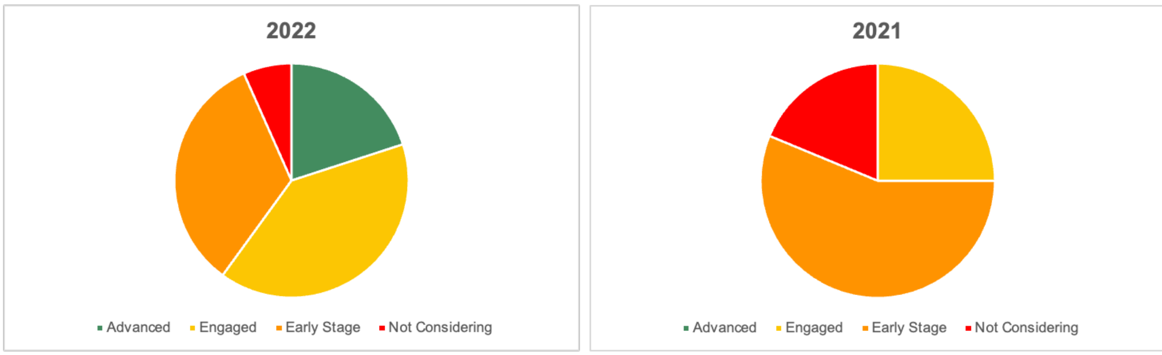
For the alternatives managers, five key criteria were considered:

- Does the fund have an ESG/sustainable investment policy?
- Is the policy integrated into the investment decision making process?
- Can the fund evidence this with examples?
- Does the fund report ESG matters to the LPs (eg annually)?
- Is the manager a signatory to the UNPRI?

For Private markets the answers to these questions were incorporated with third party analysis to categorise funds into Red/Dark Amber/Amber/Green ratings. The charts below evidence the positive trend amongst managers, with 92% (21 of 23 funds) reaching Amber or Green status in 2022. All private markets managers are UNPRI signatories.



For the Absolute Return portfolio, similar questions were asked and while progress has been made, there is still room for improvement from these managers.



2.

- Managers that are UNPRI or other sustainability committed organisation signatories
    - 2022 – 9
    - 2021 – 4

The Plan provided specific feedback to managers on the results of the review, highlighting areas where the Plan expects improvements going forward. Managers are aware that the reviews will continue to be done at least annually going forward and that progress on ESG factors will be a key consideration for ongoing manager appraisal.

The Plan receives and reviews quarterly voting summaries from equity managers, and annual certifications that managers are investing and voting in a manner consistent with the Plan's SIP. There were no exceptions reported over the last year.

The Plan sets explicit goals for all its advisors, and whilst a full Stewardship and ESG review has not been undertaken with these service providers, the Plan communicates its expectation that advisors are also engaging with the collective bodies to which the Plan is a signatory.

The Plan views this work as an evolving process and although full plans to extend the reach of ESG reviews to include consultants and other advisors were not completed this year, this remains an area of focus for the Plan going forward.

Principle 9 - Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

As mentioned elsewhere in this report (please see Principle 12), the Plan outsources management of the assets (including voting and engagement) to a number of external investment managers. The Plan encourages best practice in terms of engagement with investee companies and believes that good corporate governance is important. It expects the investment managers in appoints to have suitable policies which promote the concept of good corporate governance, and in particular a policy of exercising voting rights. The Trustee does not have its own prescriptive policy on voting, but does hold investment managers accountable for their decisions in the use of voting rights, and requires annual reporting to certify adherence to the Plan's SIP, as well as notification of any votes that are not consistent with the Plans SIP.

In addition to engagement and voting by the Plan's equity asset managers (see Principle 12), the Trustees ran a process in 2020 to appoint an engagement manager for the Plan as a whole. At the conclusion of that processes, the Plan appointed Sustainalytics to engage with all the Plan's equity and Corporate Bond holdings directly on ESG issues where required and to make recommendations. It was felt that Sustainalytics' process matched the beliefs of the Plan most closely. An engagement report from Sustainalytics is received and reviewed quarterly, and an annual report is produced to illustrate the scope and success of engagement over the year.

Sustainalytics Global Standards Engagement_GSE Reporting_Royal Mail	1 Apr - 31 Mar 2023
Number of contacts on ESG issues with companies	**Number of activities**
Total number of contacts	676
Content-related communications	148
Total number of meetings	37
Meetings in person	0
Conference calls	37

	Sustainalytics Global Standards Engagement_GSE Reporting_Royal Mail	As of 31 Mar 2023		New 1 Apr - 31 Mar 2023	
	Engagement status: **Engage**	**Cases**	**Companies**	**Cases**	**Companies**
	Engage (Ongoing at March 31, 2022)	28	26	2	2
	Annual Total Engage	30	29	N/A	N/A
	Engage with medium and high development	23	22	2	2
NORM AREA	Business Ethics	11	10	2	2
NORM AREA	Environment	0	0	0	0
NORM AREA	Human Rights	11	11	0	0
NORM AREA	Labour Rights	1	1	0	0
ESG	Environment	0	0	0	0
ESG	Social (Human Rights & Labour Rights above)	12	12	0	0
ESG	Governance	11	10	2	2
	Closed			**Cases**	**Companies**
	Total closed			3	3
	Resolved			3	3
	Archived			0	0

In addition to Sustainalytics' Global Standards Engagement service, the Plan also subscribes to the new Material Risk Engagement (MRE) service to engage specifically on ESG factors with companies who are amongst the worst performing companies (from an ESG perspective) in their sector. The following tables give some flavour for the scope of the engagements over the last year.

Sustainalytics Material Risk Engagement_Royal Mail	1 Apr - 31 Mar 2023
Number of contacts on ESG issues with companies	**Number of activities**
Total number of contacts	149
Total number of meetings	21
Meetings in person	3
Conference calls	18

Sustainalytics Material Risk Engagement_Royal Mail	As of 31 Mar 2023		New 1 Apr - 31 Mar 2023	
Engage	**Cases**	**Companies**	**Cases**	**Companies**
Engage (Ongoing on March 31, 2023)	20	20	4	4
Annual Total Engage (All Engage cases, ongoing + concluded)	21	21	N/A	N/A
Closed			**Cases**	**Companies**
Total closed			3	3
Resolved			**1**	**1**
Archived			2	2
Achievements			**Steps**	**Companies**
Positive developments achieved			16	6

The Plan also works with its asset managers to engage with portfolio companies on its behalf. Voting activity is reviewed on a quarterly basis to ensure voting has been done in compliance with the SIP. No exceptions were recorded last year.

Please see Principle 11 for more specific examples of engagement and escalation.

Principle 10 - Collaboration
Signatories, where necessary, participate in collaborative engagement to influence issuers.

The Plan believes strongly in purposeful collaboration with like-minded investors to further the Stewardship goals. Collaborative efforts can add collective weight, and can be an effective and efficient means to influence companies and share learnings. As a well known asset owner, the Plan take very seriously the process of support and collaboration with larger initiatives. The Plan chooses carefully to engage and collaborate where its Stewardship goal are common with others and where the RMPP name will help collective efforts in bringing credibility.

The Plan became a signatory to the United Nations Principles of Responsible Investment (UNPRI) in 2009, and in 2020 joined Climate Action 100+, a body that engages with one hundred plus companies to take action to reduce their carbon intensity and to align themselves with the TCFD recommendations to substantially reduce greenhouse gases.

The Climate Action 100+ website (climateaction100.org) contains many examples of other successes achieved so far.

In 2021, the Plan also joined up to support The Transition Pathway Initiative (TPI), a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy, and the data provider for the CA100+ initiative mentioned above. A great example of the results of this collaboration is provided by the Plan's corporate bond manager, Abrdn, please see below.

Case Study – Abrdn engagement with Climate Action 100+ and TPI

> As part of our Climate Action 100+ membership, we have identified our Top 20 largest financed emitters in Fixed Income and as a House. We have initiated a two-year engagement programme with these emitters and identified clear milestones. We have developed a bespoke credibility assessment framework to understand the likelihood of targets being implemented that includes TPI data. If we do not see sufficient progress against these milestones, we will take voting action after one year

and provide a recommendation for divestment after two years where we have discretion to do so.

One company we met with as part of this is SSE, which is held in the fund. It was a positive meeting, SSE was the first company worldwide to publish a Just Transition strategy. It published a Net Zero Strategy earlier in 2022 in which new Science Based targets where introduced. Its absolute Scope 1 and 2 targets will now be cut to 3million GHG emissions instead of 6m by 2030. SSE rates well through CA100 and has a high TPI score of 4. It could further improve its score by covering Scope 3 targets. Its Climate policy would improve further if it would disclose membership and involvement in organisations dedicated specifically to climate issues. These are the milestones we will focus on and continue to engage with the company.

Another company held in the portfolio is Enel, an electric and gas utility. ENEL has significant carbon emissions across both their scope 1 and scope 3. Abrdn is a co-lead investor for the Climate Action 100+ engagement with ENEL. The objective of these engagements is to encourage and support ENEL as they formulate their decarbonisation plans. The focus of this meeting was the CA 100+ benchmark assessment, as ENEL are looking to improve their alignment with many of the indicators assessed in the framework.

As mentioned elsewhere in this report, the Plan engages Sustainalytics as an engagement manager. This is a truly collaborative effort of like-minded investors and asset owners, where, by pooling ownership influence, can affect more meaningful engagement with companies across a range of ESG issues. Please see the response to Principle 11 below for examples and more information.

Importantly, the Plan also expects its managers to collaborate on collective stewardship initiatives. Through quarterly review meetings, the Plan receives updates from managers but also importantly also updates managers on expectations for their continual improvement. Collaborative stewardship efforts form an important part of continual manager improvement.

Case Study - Beach Point Capital – High Yield Credit - Collaboration with CDP (Carbon Disclosure Project)

Collaborative Engagement: CDP Science-Based Targets (SBT) Campaign	
Entity(s) Engaged	**3 issuers engaged as of 31 December 2022** • **Bombardier:** 0.19% of GAV in Royal Mail Pension Plan (RMG section)(Re:DBCB) ("ROYDBCB"); 0.59% of GAV in ROYPP • **CommScope:** 0.44% of GAV in ROYDBCB; 0.42% of GAV in ROYPP • **Diebold Nixdorf Inc:** 1.27% of GAV in ROYDBCB; 1.20% of GAV in ROYPP; 2.90% of GAV in BPC Opportunities Offshore Fund IV LP ("Opps IV Offshore")
Date(s) of Engagement	October 2022 – October 2023
Topic of Engagement	**Environment - Climate change; Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting)**
Rationale and Objective for Engagement	**Objective:** Seek to leverage the influence of CDP Investor signatories & Supply Chain members to accelerate the adoption of SBTs from high impact companies The CDP Science-Based Targets (SBT) Campaign is a collaborative engagement campaign bringing together a coalition of capital markets actors and purchasing orgs, who are members of CDP's supply chain program, with an ask directed at high impact / high emitting companies to set a 1.5°C aligned science-based target. This campaign is the only collaborative engagement allowing a global network of financial institutions and corporates with robust climate targets to ask hundreds of high-impact companies to set a science-based target.
Scope and Process	**Method of Engagement: Co-endorsing letters distributed to selected companies** Our first step in this collaborative engagement was to review the CDP's selection of high impact / high emitting companies that have not yet set a 1.5°C aligned science-based target. The targeted groups include: 1) companies who disclosed they anticipate setting a Science-Based target in the next two years within their CDP Climate Change response; 2) companies who disclosed to CDP's Climate Change questionnaire but did not indicate they plan to set a Science-Based target; and 3) companies who did not disclose to CDP's Climate Change questionnaire. Beach Point then selected companies from the CDP's three targeted groups (detailed above) that are held in our portfolio. As part of this campaign, we co-endorsed letters, alongside other financial participants, backing the request to set science-based targets to the carefully selected group of companies. By partnering with the CDP in this campaign, Beach Point and the engaged companies gained access to Science Based Targets initiative (SBTi) resources and guidance to help develop targets and commitments aligned with the best-available climate science.
Outcome and Next Steps	For the duration of the campaign, we may include additional companies held in the portfolio in the ongoing engagement. The success of this campaign will be assessed by looking at how many of the targeted companies joined the SBTi during the time of the campaign, including committing to or setting science-based targets. We aim to evaluate and report on the success of the collaborative engagement upon the conclusion of the campaign in October 2023.

Principle 11 - Escalation

Signatories, where necessary, escalate stewardship activities to influence issuers.

As detailed in Principle 9 and 12, the Plan outsources management of the assets (including escalation) to a number of external investment managers. The Plan explicitly requires its asset managers to actively engage and escalate on its behalf in line with the beliefs set out in the Plan's SIP, and to report annually on their engagement activity and any escalation. The Plan expects managers to seek explicit approval if the Plan's name is to be used as part of any escalation.

Section 12 provides more details on the voting records of the Plan's equity managers. Please see the Appendix for examples of direct engagement and escalation by the Plan's non-equity managers.

As mentioned in Principle 9, the Plan also utilises Sustainalytics as an engagement manager to engage with the companies represented in the Plan's equity and corporate bond portfolios across the world. Sustainalytics has a systematic approach to engagement, and occasionally asks for specific involvement from the Plan.

Case Study

The Plan was approached by Sustainalytics with concerns around Walmart and labour rights. Walmart was not engaging despite the best efforts of Sustainalytics. The Plan was asked to sign an investor letter to Walmart encouraging them to engage with Sustainalytics on their labour rights concerns. Pleasingly Walmart did subsequently engage with Sustainalytics and begin to address the concerns raised. The Walmart case was move to resolved during the reporting period (see below for resolved cases)

More generally, Sustainalytics engage and escalate on behalf of the Plan, a few examples of the issues and resolutions of cases over the year are illustrated below.

Resolved Cases:

INDUSTRY Banks BASE LOCATION India	ENGAGEMENT FOCUS Human Capital ESG Integration Business Ethics Corporate Governance Effluents, Water and Waste

RATIONALE FOR RESOLVED STATUS

ICICI Bank has improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- ICICI has scaled up ESG integration at all levels of the company; ranging from introductory trainings for all staff, to Executive Committee and Managerial functions where ESG has become an integral part of their biweekly coordination meeting.
- ESG Disclosures, specifically annual reporting and quarterly investor reports, have become streamlined, robust, quantitative, and prevalent.
- Waste Management has been a key area of focus in ICICI's environmental impact activities, having made strong improvements in reporting, actions, and capacity building. In addition, ICICI has made notable improvements with financial investments on technical developments and changes.
- ICICI has completed Scope 1 and Scope 2 reporting and assurances and has initiated a Scope 3 Road Map and planning (including a pilot) which will now be included as part of the procurement team, evolving beyond just the legal department.

In our latest ESG Risk Rating assessment, ICICI Bank has improved its ESG risk management score by 15.2 points, bringing it into the medium risk category and below our 28-point threshold for engagement.

Walmart, Inc. (United States, 2006)

Walmart has strengthened its labour rights policies, including via its human rights policy statement released in 2018, and has also improved its disclosure. Walmart now provides detailed human capital disclosures that are updated annually and offer insight into its metrics, strategy and ongoing challenges. It has further settled several legal actions and is not facing significant new incidents, though we note that some legal issues remain. Overall, Walmart's rhetoric concerning its labour issues has improved in recent years.

ISSUE
▶ Labour Rights

MILESTONES
5/5 Achieved

Swedbank AB (Sweden, 2019)

This is an unusual case whereby the dialogue between Sustainalytics and the company has been poor, but via Swedbank's relatively transparent public disclosures, we were able to determine that it had implemented sufficient risk management systems and internal controls that address financial crime and money laundering and demonstrate that they are robust and universally applied. The board appears to have sufficient and effective oversight of the business.

Associated company: **Swedbank Hypotek AB*

ISSUE
▶ Money Laundering

MILESTONES
5/5 Achieved

Dow, Inc. (United States, 2019)

Chlorpyrifos is no longer produced nor purchased by Dow, resulting in a complete removal of associated health and safety and waste management risks. In general Dow adopts a lower acceptable level of contaminants in effluent discharge than required by the regulator. Dow also has committed to producing chemicals that are 'sustainable for people and planet', meaning that it is focusing on the production of benign chemicals, which although still posing a risk, indicate a move towards a greater degree of awareness and responsibility for managing hazardous chemicals. In terms of risk management, the company adopts a hands-on approach to ensure products are managed appropriately cognizant of the health and safety risks. This includes banning certain products, training of suppliers and subsequent auditing to ensure compliance with the required practices. Internally, the company employs strong product stewardship with decision making for the release of new chemicals involving a number of company 'gatekeepers', sustainability being one of the key measures.

ISSUE
▶ Quality and Safety - Human Rights

MILESTONES
5/5 Achieved

Principle 12 – Exercising Rights and Responsibilities
Signatories actively exercise their rights and responsibilities.

With regards to voting and exercise of rights, the Trustee gives full discretion for these decisions to the investment managers hired for each mandate. The Plan does not have its own voting policy, but does hold each manager accountable for their voting behaviours, and for reporting to the Plan regarding what voting rights the Plan has and how these rights have been exercised. Each manager must provide the Trustee with a copy of their voting policy, as well as confirming annually that their voting is in compliance with the Plan's Statement of Investment Principles, highlighting any exceptions if they exist. No exceptions were reported by any of the managers this year.

Traditionally, listed equities are the only asset class to which voting rights are attached. The assets of the Plan are invested across many different asset classes, and due to the funding level of Plan, the allocation to listed equity is relatively small, making up less than 1% of the RMG Section and about 7% of the smaller DBCB Section. In the relevant period, the Plan was invested with four different listed equity managers who were able to participate in voting activities.

Through its Investment Sub-Committee, the Trustee:

- Has received and reviewed quarterly manager voting summaries specifically highlighting situations where voting is different from that recommended by the proxy service provider.
- Has received reports from its managers on how they have exercised their voting rights and how they have engaged with investee companies. The Trustee holds the investment managers responsible for their decisions in the use of voting rights on all issues including remuneration policy. This is in keeping with the principles outlined in the Financial Reporting Council's (FRC's) UK Stewardship Code

The degree of voting detail received from managers varies, though all provide summaries on an annual basis in the format suggested by the Pensions and Lifetime Savings Association. In aggregate, the Trustee's managers were eligible to vote on 2334 shareholder resolutions over the year and voted on 100% of these. Managers voted against management recommendation on 11% of the votes. While two of the four managers employ a proxy voting service to vote and provide recommendations, those managers still followed their own voting policies, voting against the recommendation of their proxy service provider 7% of the time.
Board governance (for example where board compensation was deemed excessive or proposed board members were considered not sufficiently independent) and excessive dilution (where changes to capital structure risked diluting the Plan's current equity holdings by an excessive amount) were the largest areas of dissention amongst the votes against management.

The Plan utilises the services of JPMorgan, the Plan's custodian, to action any class actions.

The following is a summary of the voting behaviours of the Plan's equity managers over the reporting period.

How many meetings were you eligible to vote at?	193
How many resolutions were you eligible to vote on?	2334
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?	88%
Of the resolutions on which you voted, what % did you vote against management?	11%
Of the resolutions on which you voted, what % did you vote to abstain?	1%
In what % of meetings, for which you did vote, did you vote at least once against management?	48%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	7%

The Plan engages in a stock lending program run by the Plan's custodian, JPMorgan. All managers have the ability to recall lent stock for voting purposes. Manager feedback and the high level of voting on eligible shareholder resolutions gives the Trustee confidence that the lending program has not impeded voting or good stewardship by the managers.

For fixed income investments, the Trustee expects managers to be active in negotiating changes to contract conditions, trust deeds, rights etc where it is consistent with the SIP, and in the best interests of the Plan's beneficiaries. The Plan is not formally monitoring or requesting reporting from managers in this regard, but is considering the issue as part of the evolving stewardship strategy going forward.

Case Study- BlackRock Engagement on Green Gilts

> When the UK Government first issued green gilts in 2021, BlackRock was initially concerned about the green gilts' proceeds being allocated towards blue hydrogen: blue hydrogen uses fossil fuels which releases carbon during the production process. After multiple engagements with the UK DMO, we received clarification that allocations to blue hydrogen are expected to be very small, <10% of proceeds.
>
> At the request of HMT, BlackRock continues to engage with UK DMO and HMT on the green financing framework they have developed in relation to how to improve their green shading under our proprietary rating framework and ensure best practice when disclosing use of proceeds in future reporting. We recently took part in a further engagement call around the green gilt allocation report and we await the impact report expected to be published in September 2023 in order to assess the impact of the £16bn of green gilt proceeds spending allocated so far.

Case Study – Loomis Sayles – Investment Grade Corporate Bonds

environment risks

2.20
ESG SCORE

INVESTMENT GRADE - JAPANESE BANK

This bank has historically been one of the largest lenders in the world to the coal industry. While its domicile and overseas EM exposure makes an immediate cut-off difficult, the group has continuously made improvement with regards to updating policies, improving targets, and reducing exposure to its most carbon intensive customers.

MATERIAL ESG CONSIDERATIONS

- The bank his historically provided one of the largest sources of financing to the coal fired power plant and coal mining industries, which is amongst the most carbon intensive sources of energy.
- In addition to the impact on climate change, we view these loans as having higher credit risk since demand for these products is expected to decline over time with the transition to a lower carbon, more climate-resilient economy.
- Given its reputation as a leader in the industry, there is additional risk to financial performance and bond spreads due to reduced demand from more ESG aware customers and investors.
- The group's overall ESG score of 2.2 is slightly below average, driven by an environmental pillar score of 3.

OBJECTIVES OF ENGAGEMENT

- The analyst has been engaging with the company 1-3 times per year since 2019 with the primary objectives being:
  1. Reduce the immediate reputational risk associated with its financing of the coal industry
  2. Reduce longer term credit risks impacted by the transition to a low carbon society
  3. Reduce exposure to coal immediately with a longer term exit plan

OUTCOME OF ENGAGEMENT

- While engagement is ongoing, some progress has been made so far:
  - The bank initially adjusted its lending policies to only support more efficient power plants.
  - Subsequently, the bank announced that it will no longer finance the construction of new coal-fired plants or the mining of thermal coal.
  - Exposure to coal will be wound down to zero by 2040 with the project finance portion expected to be down 50% by 2030.
  - As of 3/22, exposure to coal fired power generation had declined 22% from the peak.

For private equity funds, the Plan communicates to Managers that we expect them to have active engagement with portfolio companies and naturally this forms part of all managers' strategies in the asset class. Private equity managers are expected to have a particularly high standard of engagement as they will have seats on the Boards of their portfolio companies and so influence decision making directly. We communicate from the earliest fund selection meetings that we expect all mangers to have coherent ESG policies and to actively engage with portfolio companies.

The Plan will sometimes sit on LP Advisory Boards or LPACs where we see matters of governance over the fund and in particular management of conflicts of interest arising between the GP/ Fund / and Investors brought to the LPAC for voting / resolution, rarely however would a specific portfolio company issue be tabled or discussed.

In Private Debt funds our managers are likely to have no board representation or voting rights and so have less scope to influence investee companies.

In the Absolute Return Portfolios the funds often have a relatively short term holding horizon in comparison to traditional equity managers, so their ability to influence portfolio companies is more limited. Where the holding horizon of a strategy is longer term, the Plan does expect to see Absolute Return managers voting, particularly for Activist / Event Driven strategies.

Appendix – Non-Equity Engagement and Escalation examples

Abrdn – Corporate Bonds

Active Ownership: Case Studies

Royal Mail Pension Plan

We include a selection of case studies to demonstrate engagement style and investment management approach. These are not an indication of future performance or investment recommendation on the companies themselves.

Company	Topic	Lifecycle Status	Engagement Summary	Investment View Change
AT&T Inc	Labour Management, Diversity & Inclusion	Execute	We are encouraged by the progress AT&T are making towards workforce diversity- over half of all US front line workers are people of colour. W highlighted several lawsuits regarding employee discrimination. AT&T acknowledged that as one of the largest unionised workforces in the US, there will always be new flow but they have increased focus and resource towards employee wellbeing. We also touched on AT&T's work on producing their first green bond framework.	Reinforces
Barclays PLC	Labour Management, Diversity & Inclusion	Plan	We continued discussion of pay requirements for UK workforce. They seem to be being proactive on labour relations and getting ahead of pay rises. This will be focused on lower income employees, something consistent with what we're seeing elsewhere.	None
Chevron USA Inc	Human Rights & Stakeholders, Labour Management, Diversity & Inclusion	Execute, Plan	We followed-up with Chevron to speak with their human rights lead on their human rights approach. Chevron appears to have a robust system in place but legacy issues, the nature of business activities and locations of operations are likely to continue to present challenges. We also took the opportunity to discuss industry-wide allegations of frequent sexual harassment and bullying, and are pleased that Chevron has commissioned a third-party to review their sites and make recommendations. We look forward to the publication of their findings.	None
CK Hutchison Holdings Ltd	Climate Change, Corporate Behaviour, Environment, Labour Management, Diversity & Inclusion	Plan, Acknowledge	We contacted CK Hutchison in response to correspondence we received from the Union Unite. Unite highlighted an ongoing pay dispute. We highlighted the issues to the company and our view that supporting employees is key to financial success. The company highlighted that it had offered a pay increase that was above the industry standard which had been accepted by a number of employees. Abrdn has requested that the company disclose this information within the agreements of ongoing discussions with employees and unions.	None
Danske Bank A/S	Climate Change, Corporate Behaviour, Corporate Gov. & Disclosure, Labour Management, Diversity & Inclusion	Execute	Danske Bank has closed the Estonian branch and exited all Baltic operations. However, it is currently still under criminal investigation by several authorities. Since 2018 the bank has made progress in governance, executed on an investment program to improve the AML process and KYC and developed the 2023 strategy to become a 'Better bank'. We engaged with Danske Bank on the milestones set and are encouraged that the implementation is on track and within budget. The Estonia case is also likely to settle the end of 2022 or in 2023. We will continue to engage on the 'Better Bank' strategy.	Enhances

LaSalle – Property

Of the properties which fall within the scope of Minimum Energy Efficiency Standards (MEES) regulations, 100% are compliant with EPC ratings between A and E. The remainder of the portfolio is either exempt (ground rent investments) or is under development, so has not yet been rated. There is flood risk at Asset 1 and Asset 2; however, in the case of Asset 1, flood mitigation measures have been incorporated into the design of the ongoing development and only the basement area at Asset 2 is at risk. We do not, therefore, have any concerns.

All assets within the Long Income portfolio will be included within Phase2 of our Net Zero Carbon (NZC) audit programme, which will be a key area of focus over the next 12 months. The aim of these audits is to ensure that all assets can be aligned to a NZC pathway. Implementing NZC initiatives, and monitoring energy consumption more generally, will require collaboration amongst stakeholders and users, so improving tenant engagement will be another key priority over the next year.

Long Income Portfolio

Flood Risk	
Ratings are based on historic flooding; we intend to extend this analysis by including future climate scenarios.	
LOW	35%
LOW TO MODERATE	23%
MODERATE	12%
MODERATE TO HIGH	8%
HIGH	22%
UNSCORED	0%

MEES Risk (EPC)	
Minimum Energy Efficiency Standards (MEES) currently prohibit letting of units with a score lower than E. We expect this to be increased to B by 2030.	
Scotland & Exempt	0%
MEES Compliant A&B	100%
2030 Risk C, D & E	0%
2023 Risk F & G	0%
Unknown	0%

Core Property

Flood Risk	
Ratings are based on historic flooding; we intend to extend this analysis by including future climate scenarios	
LOW	34%
LOW TO MODERATE	7%
MODERATE	56%
MODERATE TO HIGH	0%
HIGH	0%
UNSCORED	3%

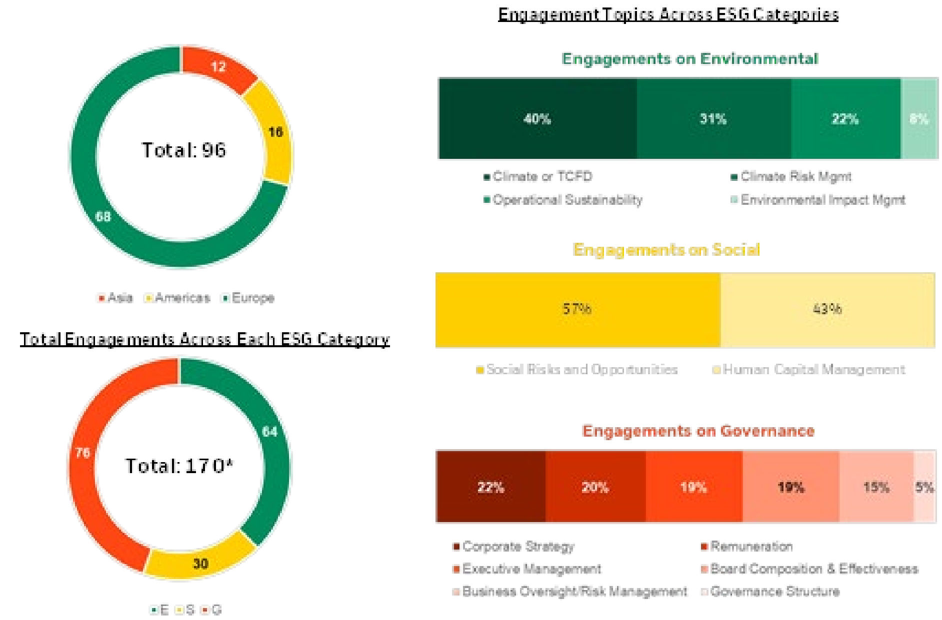
MEES Risk (EPC)	
Minimum Energy Efficiency Standards (MEES) currently prohibit letting of units with a score lower than E. We expect this to be increased to B by 2030.	
Scotland & Exempt	0%
MEES Compliant A&B	45%
2030 Risk C, D & E	55%
2023 Risk F & G	0%
Unknown	0%

BlackRock – Liability Driven Investment

Our independent counterparty credit risk team considers any pertinent ESG factors when approving and monitoring counterparties we transact with on behalf of our clients. In reality, the materiality of E and S factors on medium term counterparty credit risk have not generally been deemed to be material, however governance factors tend to be more key, for example board structure or risk controls.

The illustration below shows the engagement BlackRock Investment Stewardship team have had with LDI's trading counterparties in 2021 (up to 30 November 2021).

BlackRock Engagement Data with LDI Counterparties



is represents the period of January-November 2021. *BLK had 96 engagement sessions with its counterparties but several engagement topics were scussed during each session.

BlackRock engagement ranges across a number of relevant UK entities, from the UK Government and Debt Management Office through to engaging with UK regulators. This engagement takes place through a combination of our public policy team, investment teams and our sustainability teams. Many of which are published on our view points website

Examples of this engagement include:

- Engaging with the Pension Regulator on their funding code consultation (response to be published shortly)
- Engagement with various regulators following the Autumn 2022 gilt crisis
- Periodic engagements with the Debt Management Office and His Majesty's Treasury on the green financing framework and green gilt issuance
- Work with various global regulators on LIBOR reform
- Responses to consultations on RPI Reform

Beach Point Capital – High Yield Credit

Direct Engagement: EPIC Y-Grade Services	
Entity(s) Engaged	**EPIC Y-Grade Services – Midstream Sector:** 1.48% of GAV in ROYDBCB; 1.37% of GAV in ROYPP; 2.24% of GAV in Opps IV Offshore as of 31 December 2022
Date(s) of Engagement	February 2021 – August 2022
Topic of Engagement	**Environment: Ecological Impacts, Environment: GHG Emissions** **Leadership and Governance: Sustainability Reporting & Disclosure**
Rationale and Objective for Engagement	**Objective: Seek to understand EPIC's impact on natural resources and biodiversity; aim to encourage stronger ESG disclosure** EPIC Y Grade Pipeline ("EPIC") owns and operates an NGL pipeline system between west Texas and the Gulf Coast. The objective of the engagement was (1) to seek to gain greater insight into the midstream company's impact on natural resources and biodiversity—material considerations for the issuer and the midstream sector, overall,—and (2) to endeavor to encourage better disclosure and future performance on ESG goal, with particular focus on carbon emissions reporting as a high-impact business.
Scope and Process	**Method of Engagement: 1x1 Meetings** **Type of Engagement: Direct Company Engagement - Engage for Action** In this investment, we believe we have operated from a position to potentially have greater influence over the company's environmental, social, and/or governance outcomes as we have maintained a relationship with EPIC Y's management team and financial sponsor (having been invested in the name) and we also structured a unique financing solution in Q1 2021 to help address the company's near-term liquidity needs. As part of these financing discussions, we emphasized our focus on ESG issues and conducted an engagement call with EPIC Y, our investment analyst, and our Head of ESG to discuss material environmental, social, and governance considerations.
Outcome and Next Steps	We learned through our engagement that EPIC Y performed extensive environmental siting studies prior to construction in an effort to avoid any ecological impacts from the construction and operation of their pipelines system. These efforts helped mitigate risks to rare, threatened, or endangered species around the pipeline. We are also encouraged by their increased disclosure on their environmental impact as an outcome to our ESG engagement efforts. In July 2022, the company released their first sustainability report, which include reporting Scope 1 and 2 GhG emissions. We remain investors in EPIC Y and we may engage the company in the future to encourage setting decarbonization targets in line with the Paris Agreement.

Direct Policymaker Engagement: SEC	
Entity(s) Engaged	U.S. Securities and Exchange Commission (the "SEC" or the "Commission")
Date(s) of Engagement	June 2022
Topic of Engagement	**Climate-related Impacts and Disclosure; Transparency & Data**
Rationale and Objective for Engagement	**Objective:** Show direct support for the SEC's File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors ("Proposed Rule") as part of our effort to directly and proactively engage policymakers and/or financial regulators where appropriate.
Scope and Process	**Method of Engagement: Letter Writing** **Type of Engagement: Direct Policymaker Engagement - Engage for Action** The Commission's Proposed Rule marks a change in the quality and comparability of climate disclosures that we believe is essential to an efficient market response to climate change and ESG-related risks. While most companies report sustainability information in some form, we highlighted to the SEC that the content and type of disclosures vary significantly. To better interpret and utilize climate-related information, we noted that consistent, reliable and comparable disclosures by companies are a top priority for investors. In the absence of standardized disclosures, investors seeking climate-related information have had to collect this data from numerous sources, including companies' voluntary disclosures that are unverified and often difficult to compare. Therefore, we provided our support for the SEC's Proposed Rule requiring all public companies to file climate-related financial information with the Commission, to have this information appear alongside financial information, and to present narrative and quantitative information in XBRL tagged form. We emphasized that the proposal should make climate-related financial information, in alignment with the Task Force on Climate-Related Financial Disclosures (TCFD) framework, more useful to investors seeking to understand the risks and opportunities presented by climate change.
Outcome and Next Steps	We submitted our letter of support in June 2022 within the comment period, which closed on 17 June 2022. As a next step, we are monitoring any developments with respect to the SEC's Proposed Rule with a final rule anticipated at some point in 2023. We believe the implementation of the Proposed Rule will mark a successful outcome to our engagement, alongside other financial participants.

governance issues

2.20
ESG SCORE

EM CREDIT / TELECOM

This company is a leading telecommunications provider throughout Latin America and beyond. The company provides mobile and fixed-line voice services, wireless and fixed data services, internet access, and pay TV to millions of customers in 20+ countries. A wide range of governance issues is slowly being addressed through long term engagement with positive outcomes evident through upgraded 3rd party ratings.

MATERIAL ESG CONSIDERATIONS

- Lower quality governance practices, including a unique shareholder structure and poor board composition, create additional risk for bondholders
- There is a multiple share class structure with multiple voting rights including voting and non-voting
- Board lacks diversity with noted overboarding

OBJECTIVES OF ENGAGEMENT

- The analyst has been engaging with the company since 2019 with three primary objectives:
    1. Improving the composition of the board
    2. Improving shareholder structure
    3. Improving disclosure

TARGETS OF ENGAGEMENT

- 25% representation of women on the board by 2030
- Reduce board entrenchment; remove overboarded members
- More/better disclosure to investors, credit rating agencies, and ESG specific agencies
- Eliminate dual structure of shareholder voting rights

OUTCOME OF ENGAGEMENT

- While engagement is ongoing, some progress has been made so far:
    - Commitment to improve ESG factors by 2025 including increasing female board members, lower emissions, and better employee safety standards. Failure to meet stated goals will result in increased costs associated with recent financing facility.
    - Adopted majority voting provisions
    - Removed overboarded member
    - Due to these improvements and better communication, the company has been upgraded by MSCI

environmental issues

1.50
ESG SCORE

INVESTMENT GRADE CREDIT - WIRELESS TELECOM

This leading wireless operator is on track to meet its goals to reduce carbon emissions. Notably, the CEO views sustainability as a top corporate priority. To fund energy saving measures, the company has issued a total of 4 green bonds over as many years since 2019. The proceeds from Green Bond issuance have been allocated to renewable energy, primarily through entering into long term virtual power purchase agreements to fund new renewable energy projects. To-date 7 solar and wind projects funded by the company are in commercial operation. Additionally, the company's investments in network and technology provide a myriad of energy-efficient solutions to businesses and consumers.

MATERIAL ESG CONSIDERATIONS

- The only US based telecom /cable operator to have issued $4 billion of green bonds or $1 B each year in 2019, 2020, 2021, and 2022 with proceeds earmarked to reduce carbon footprint. Proceeds from the green bonds have been used to finance wind and solar energy projects.
- The issuer's long term goal is to achieve net zero operational emissions by the year 2035. In the interim, targets include expecting to resource renewable energy equivalent to 50% of annual electricity usage by 2025 and 100% by 2030.
- To promote DEI, the company has committed to only engage underwriters of green bond transactions that are diverse-owned or have core missions of promoting diversity, and allocate at least 10% of eligible unsecured debt capital market fees to these firms annually.
- CEO is a member of the U.N. Global Compact and helped to draft the 17 Sustainable Development Goals (SDGs) to be achieved by 2030.
- Investment in connectivity provides technology-based solutions that empower customers to reduce energy usage and carbon footprint, such as telecommuting, telematics, telemedicine and smart building/city management.

LOOMIS SAYLES ANALYST'S VIEW

LS analyst believes this issuer's strong ESG image has raised investor demand for the company's securities to reduce funding costs. Green bond issuance also provides funding diversification.

ENGAGEMENT

LS analyst has engaged with the company to offer feedback on how to improve communication to third party assessors and investors on the topic of ESG. More recently LS analyst has tracked the progress of green bond projects through in person meetings with management.

Credit Research ESG example, as of February 2023. Scores do not have any predictive value, and do not indicate the probability of any level of future return.
Examples above are provided to illustrate the investment process for the strategy used by Loomis Sayles and should not be considered recommendations for action by investors. They may not be representative of the strategy's current or future investments and they have not been selected based on performance. Loomis Sayles makes no representation that they have had a positive or negative return during the holding period.