



# **DCWW Pension Scheme Engagement Policy Implementation Statement**

31 March 2022

## Executive Summary

This Engagement Policy Implementation Statement outlines the policies with regards to the stewardship of assets, voting and engagement and some of the activities undertaken by the Trustee and the investment managers during the accounting period.

The Trustee's primary responsibility is to ensure that members can receive their benefits. As part of this responsibility numerous risks must be considered. This statement is written primarily with regards to Environmental, Social and Governance -related risks, such as climate change, which have the potential to negatively affect the value of the Scheme's assets if not considered. The Trustee also believes that the consideration of ESG factors in the investment decision-making process also has the potential to positively impact the value of the Scheme's assets.

The Trustee recognises that regulation, associated guidance and best practice is evolving and expects that the policies and engagement activities undertaken on behalf of the Scheme will also evolve. The Trustee has received training with regards to sustainable investment and continues to receive reporting which covers ESG metrics. The Trustee will continue to work with BlackRock in this area.

Due to the appointment of BlackRock as the Scheme's fiduciary manager in 2020 this is the first EPIS which details the voting and engagement activity over the course of a full year since the requirement to produce this document was produced. Overall, the Trustee is happy that the policies with regards to stewardship, voting and engagement have been followed over the year to 31 March 2022. As the publishing of this statement remains a relatively new requirement, the Trustee expects that future iterations of this statement will evolve with guidance and best practice. In particular, a greater focus on fixed income and alternative asset classes is expected over time, with greater standardisation and transparency with regards to the managers' activities.

## 1. Introduction

Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Trustee is required to produce an annual Engagement Policy Implementation Statement (“EPIS”). This statement outlines how, and the extent to which, the policies relating to stewardship, voting and engagement as outlined in the Statement of Investment Principles (“SIP”) have been followed.

This statement covers the Scheme’s accounting year to 31 March 2022. It is intended to meet the updated regulations and will be included in the Scheme’s Report & Accounts. In preparing this statement, the Trustee has taken advice from their professional advisers.

This statement details some of the activities taken by the Trustee, the Manager and the investment managers during the period, including voting statistics, and provides the Trustee’s opinion on the stewardship activities over the period.

## 2. Policies

The Trustee’s relevant policies regarding stewardship, voting and engagement are outlined in the SIP. The most recent version of the SIP is publicly available being published online and will be updated from time-to-time.

The Trustee has appointed BlackRock as the adviser and Fiduciary Manager (“the Manager”) for the Scheme. The Trustee delegates the day-to-day investment decisions and asset allocation to the Manager. The Trustee retains responsibility for the strategic investment objective and oversight of the Manager.

During the year to 3 March 2022 the Trustee did not update the SIP, as such the policies contained in the December 2020 SIP are those which are relevant to this Statement.

## 3. Scope of this statement

The Trustee acknowledges that the extent to which the policies in relation to stewardship, voting and engagement can be applied varies across the portfolio. For example, in general, voting rights are not attached to fixed income securities, while the applicability to liability driven investment portfolios is limited. In addition, the Scheme invests in a number of illiquid investments, for which there is less scope for divestment and so engagement with managers is important. Nonetheless, the Trustee and the Manager expect all investment managers to take an active role in the stewardship of investments where relevant.

## 4. Scheme activity

The SIP includes the Trustee’s policy on Environmental, Social and Governance (“ESG”) factors and stewardship. This policy sets out the Trustee’s beliefs on ESG and the processes followed by the Trustee in relation to voting rights and stewardship.

The Trustee receives ESG reporting in the quarterly investment report, which includes aggregate and asset class level reporting of ESG scores relative to an appropriate benchmark. The Trustee uses this to measure how the overall Scheme assets are invested and assess the metrics over time.

The Manager now rates each underlying strategy based on the strength of their ESG policies and actions and provides a summary of the ESG scores to the Trustee on a quarterly basis, as part of the investment report. This allows the Trustee to establish how each underlying manager scores from an ESG perspective as well as measure relative improvements quarter on quarter.

As of year-end, 6 of the 11 active strategies had an ESG score of “Advanced”, the highest rating. The remaining strategies scored “Aligned”. The Trustee is comfortable that these scores are a suitable reflection of their beliefs with all managers having the two highest scores (Advanced and Aligned). Furthermore, the Trustee recognises that the Manager is engaging with the underlying managers to ensure they work to further improve their ESG policies and actions over time. As part of the Trustee’s ESG policy, the Manager is required to request the underlying managers’ policies and their adherence to them. The Manager reviews the policies of each underlying manager to ensure that these are appropriate.

The Trustee expects the Manager to continue to work with underlying managers in order to ensure those on the weaker side of voting and engagement take action to make improvements. The Manager has

acknowledged that all managers have been taking steps to improve both their voting and engagement and “best in class” continues to evolve. The Trustee will be closely monitoring developments over the coming years.

In December 2021 an allocation to J P Morgan China Equities was made. The Trustee acknowledges the challenges with investing in emerging markets and is pleased that J P Morgan has received an ESG rating of “Advanced”.

## 5. Voting and Engagement

The Trustee has delegated to the Manager the responsibility of collecting the stewardship and engagement reports of the underlying managers and assessing the suitability. The Trustee also expects the Manager to monitor the underlying manager’s activity to ensure compliance and confirm that it remains a suitable investment for the Scheme. The Trustee is comfortable that under the governance structure the responsibility sits with the Manager to communicate with the underlying managers and on a regular basis collect information as required.

The Manager has noted that there is variability between managers in the extent of their engagement and voting policies, with equity managers generally having made more progress than fixed income. This Implementation Statement includes voting examples in respect of the Scheme’s equities managers, as well as in relation to the Partners Fund. In addition, examples of engagement in respect of some of the Scheme’s fixed income funds are included in Appendix 1. It is intended that in future years there will be greater focus on other asset classes, in particular the alternatives managers.

The section below details the investment managers’ approach to voting and engagement as well as some examples of significant engagements these managers have made over the 12 months in respect to the funds in which the Scheme is invested.

In addition, summary voting statistics in respect of the Scheme’s equities funds over the year to 31 March 2022 have been included.

### **BlackRock:**

The Scheme has a portion of its Growth assets invested in funds managed by the Manager. Given the Manager’s appointment as both the fiduciary manager as well one of the investment managers, the Trustee recognises the importance of ensuring that the Manager’s own policies and actions are appropriate for the Scheme. The Manager publicises its own policies as well as quarterly updates online (which can be accessed [here](#)) which the Trustee has visibility of. This includes details of any changes to policies and also reports at an aggregate level the impact of its voting and engagement. The Trustee is comfortable that the transparency of the Manager in publicising reports and developments online ensures alignment with the interests of the Scheme.

Whilst it is important to monitor the activities of the Manager at a high level through this publicly available information, it is also important to monitor the voting and engagement activities undertaken on behalf of the Trustee by the Manager on a more granular level.

With the exception of the BlackRock European Equities fund, the Scheme’s BlackRock equities funds are passive (i.e. index) strategies. In respect of passive strategies, there is a wide universe of underlying companies which may number in the hundreds if not thousands. Where strategies are actively managed, investments are typically more concentrated. As such, ownership is more concentrated for actively managed strategies and therefore there will be fewer resolutions in which to vote. In addition, actively managed strategies have the option to sell holdings in companies at its discretion. For these reasons, in the context of passive strategies, it is important that voting and engagement rights are exercised and that this is monitored. An example of a significant vote in respect of the BlackRock European Equities fund is included below. The summary voting statistics below illustrate that the voting rights attached to the underlying investments in these instances have been exercised to a large extent.

The Manager’s approach to voting is described in the table below, along with summary voting statistics for the Manager’s equities funds.

---

## Approach to voting

BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to and enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed

The BlackRock Investment Stewardship team does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance matters and, for those clients who have given BlackRock authority, through voting proxies in the best long-term economic interests of its clients.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") – located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

Whilst BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into its vote analysis process, and it does not blindly follow their recommendations on how to vote. BlackRock does not follow any single proxy research firm's voting recommendations. It subscribes to two research providers and uses several other inputs, including a company's own disclosures, in its voting and engagement analysis

---

## Chevron Corporation (American Energy Company)

At the 26 May 2021 annual meeting there were a number of key resolutions. The key topics were Climate risk, board quality and effectiveness, corporate political activities.

Chevron Corporation (Chevron) is a global integrated energy, chemicals, and petroleum company, operating through the upstream and downstream segments. BlackRock Investment Stewardship (BIS) has a long history of constructive engagement with Chevron where we discuss corporate governance and sustainability topics that we believe drive long-term shareholder value. This has included climate risk, corporate strategy, and human capital management, among others. We have found Chevron to be receptive and open to shareholder feedback and BIS has had regular engagement with independent members of Chevron's Board. We therefore do not currently have concerns about the company's governance and oversight practices.

One shareholder proposal requested that Chevron "substantially reduce the greenhouse gas (GHG) emissions of their energy products (scope 3) in the medium- and long-term future." The Board recommended voting AGAINST the shareholder proposal. BlackRock voted FOR the shareholder proposal.

Importantly, the proposal states that "[t]o allow maximum flexibility, nothing in this resolution shall serve to micromanage the Company by seeking to impose methods for implementing complex policies in place of the ongoing judgement of management as overseen by its board of directors". Currently, Chevron discloses the scope 3 emissions from the use of its products. It supports a price on carbon and aims to increase its renewable products offerings in order to help customers lower their carbon footprints. BIS believes that companies in carbon intensive industries should aim to set scope 3 emissions reduction targets. It is particularly important to assume responsibility, where reasonable, for the complete emissions profile of the company as the world transitions to a low carbon economy. We understand that this is still a relatively nascent practice, especially in the U.S.

It is increasingly clear that companies will need to take action to reduce their scope 3 emissions and that targets will need to be clear and achievable, not just aspirational. Chevron's European peers such as Equinor, BP and Shell have already begun to undertake this endeavor. BlackRock believes that the companies that critically evaluate their current baseline, set rigorous GHG emissions reduction targets, and act on an accelerated timeline are those most likely to avoid operational disruption in the future.

---

In our assessment, Chevron is on the right path and we have confidence in management and the Board in their intention to continue to critically assess these issues. Nonetheless, BIS supported the proposal, which is clear and not prescriptive, to reflect our desire to see the company continue to evolve its approach and demonstrate progress on these challenging topics.

**The Kroger Co.**

(American Grocery Retailer)

The Kroger Company, or simply Kroger, is an American retail company that operates (either directly or through its subsidiaries) supermarkets and multi-department stores throughout the United States.

At the 29 June meeting there was a Shareholder proposal to “Assess the Environmental Impact of Non-Recyclable Packaging”. The Board recommended voting AGAINST this shareholder proposal. BlackRock voted FOR this shareholder proposal because we believe it could accelerate Kroger’s progress on addressing the use of plastic packaging in its operations.

BIS acknowledges the efforts Kroger has made to address its exposure to natural capital-related risks, specifically in connection to the packaging of its “Our Brands” products. However, while the company has committed to establishing 2030 goals and provided intentions to reduce the non-recyclable packaging for its “Our Brands” offerings, it has yet to finalise its 2030 strategy details and lags some of its peers that have made more robust commitments to reduce the overall use of plastic in both their operations and supply chain. As a result, we believe that supporting this proposal could accelerate Kroger’s progress on improving its packaging and waste management.

	Year to 31 March 2022
<b>BlackRock Europe Equities (Active)</b>	
Votable proposals	972
% of resolutions voted	80%
% of resolutions voted against management	11%
% of resolutions abstained	1%
<b>BlackRock US Equities (Index)</b>	
Votable proposals	608
% of resolutions voted	100%
% of resolutions voted against management	3%
% of resolutions abstained	0%
<b>BlackRock UK Equities (Index)</b>	
Votable proposals	15,223
% of resolutions voted	97%
% of resolutions voted against management	5%
% of resolutions abstained	2%
<b>BlackRock Asia Pacific Equities (Index)</b>	
Votable proposals	3,374
% of resolutions voted	100%
% of resolutions voted against management	12%
% of resolutions abstained	0%
<b>BlackRock Japan Equities (Index)</b>	
Votable proposals	6,051
% of resolutions voted	100%
% of resolutions voted against management	3%
% of resolutions abstained	0%

iShares FTSE MIB ETF		Year to 31 March 2022
	Votable proposals	430
	% of resolutions voted	100%
	% of resolutions voted against management	23%
	% of resolutions abstained	0%

## Other investment managers

The approach to voting and engagement of the Scheme's other equities managers, Schroders, Wellington, American Century and JP Morgan, are detailed below. These managers are appointed in relation to the Scheme's equity holdings.

### Schroders:

<b>Approach</b>	<p>The overriding principle governing Schroders' approach to voting is to act in the best interests of its clients. Schroders' voting policy and guidelines are outlined in its publicly available Environmental, Social and Governance Policy. Schroders evaluates voting issues arising and, where it has the authority to do so, votes on them in line with its fiduciary responsibilities in what it deems to be the interests of its clients. In applying the policy, Schroders considers a range of factors, including the circumstances of each company, performance, governance, strategy and personnel.</p>
	<p>It is Schroders' policy to vote all shares at all meetings globally, except where there are onerous restrictions – for example, shareblocking. Schroders utilises the services of ISS and the Investment Association's Institutional Voting Information Services ('IVIS') in conjunction with its own research and policies when formulating voting decisions. With regards to abstaining from votes, Schroders' preference is to support or oppose management and only use an abstention sparingly. Schroders may abstain where mitigating circumstances apply, for example where a company has taken some steps to address shareholder issues.</p>
	<p>For certain holdings of less than 0.5% of share capital in the USA, Australia, New Zealand, Japan, and Hong Kong, Schroders has implemented a custom policy that reflects the views of its ESG policy and is administered by Schroders' proxy voting provider, ISS. Schroders votes on both shareholder and management resolutions.</p>

<b>Cez</b> (Energy distribution company)	<p>The Schroders Sustainable Investments team contacted a number of European companies that are key to driving the transition towards net zero greenhouse gas emissions to:</p>
	<ul style="list-style-type: none"> <li>• Set an ambition to achieve net zero emissions by 2050 or sooner, covering scope 1, 2 and most relevant scope 3 emissions</li> <li>• Set short-, medium-, and long-term targets aligned with the goal of limiting global warming to 1.5 C, again covering scope 1, 2 and most relevant scope 3 emissions</li> <li>• Produce and publish a detailed transition plan setting out how the company intends to meet its emission targets and overarching net zero ambition.</li> </ul> <p>As Cez has already set a net zero ambition, Schroders encouraged the company to continue to develop its interim targets and transition plan. All the companies Schroders contacted are included in the CA100+ net-zero company benchmark and were held by Schroders on 30 June 2021.</p>

<b>Huuuge</b> (Polish game developer and platform)	<p>The Schroders investment team arranged a call with Huuuge to outline a number of ESG concerns. These included:</p>
	<ul style="list-style-type: none"> <li>• A weak board structure with just five members, of whom two are independents and no female representation. Schroders recommended they increase the size of the board and improve its structure.</li> </ul>

- Not being compliant with Warsaw Stock Exchange (WSE) Best Practices. A number of the issues here can be easily addressed.
- Targets for management compensation being unclear and not sufficiently long term focused. We asked for more transparency with regards to management compensation.
- Huuuge has said it will take Schrodgers' feedback onboard, and Schrodgers looks forward to seeing its ESG strategy, which is currently being formulated.

	Year to 31 March 2022	
<b>Schrodgers EM Equities</b>	Votable proposals	1,801
	% of resolutions voted	94%
	% of resolutions voted against management	6%
	% of resolutions abstained	5%

#### Wellington:

<b>Approach</b>	Wellington votes according to its Global Proxy Voting Guidelines and employs a third-party vendor, Glass Lewis, to perform administrative tasks related to proxy voting. Wellington does not automatically vote proxies either with management or in accordance with the recommendations of third-party proxy providers, ISS and Glass Lewis. Wellington has its own ESG Research Team, which provides voting recommendations. Based on these resources and in conjunction with Wellington's Global Proxy Voting Guidelines, individual portfolio managers have authority to make final decisions on voting. There is no "house vote". Wellington's proxy voting system allows different votes to be submitted for the same security. Various portfolio managers holding the same securities may arrive at different voting conclusions for their clients' proxies.
<b>Viavi Solutions</b> (Network testing, measurement and assurance company)	Viavi Solutions manufactures testing and monitoring equipment for networks. Wellington initiated a position in the company in March 2021, given the company is likely to benefit from a multi-year upgrade cycle with a strong balance sheet and attractive risk/reward valuation. Viavi proposed a shareholder vote in October 2021 related to executive compensation. Specifically, they proposed a CEO remuneration plan designed to act as a retention mechanism given the CFO had recently departed the company. The plan entailed several components, including a performance-based award based on a sustained share price increase. However, Wellington felt the target for this share price increase was too low and arranged an engagement with the company to communicate its thoughts on the proposal. Ultimately, the company decided not to change the target for this share price increase, and Wellington voted against the proposal as we felt the target was too low to be considered in shareholders' best interests.

	Year to 31 March 2022	
<b>Wellington Small Cap Equities</b>	Votable proposals	1,586
	% of resolutions voted	98%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%

#### J P Morgan

<b>Approach</b>	JP Morgan has an explicitly stated investment stewardship philosophy, believing that the companies they engage with will produce better long-term financial results, while simultaneously contributing to an improved society. JP Morgan's stewardship activities are based on proprietary environmental, social and governance research, driven by both their broad investment teams in addition to a dedicated Sustainable Investing team.
-----------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



The business employs regional heads of stewardship to work with local teams, while the Global Head of Sustainable Investing, Jennifer Wu, oversees the global stewardship effort. With regards to engagement, JP Morgan conducts approximately 500 dedicated ESG engagement meetings per year.

These discussions inform companies of JP Morgan's views, and guide JP Morgan's voting decisions. JP Morgan has explicit proxy voting guidelines and provides a transparent overview of its voting activities. In 2020, JP Morgan voted at approximately 8000 shareholder meetings across 80 markets.

**Shenzhou International Group Holdings Ltd.**  
Chinese clothing manufacturer

In the past two years, JPM has been actively engaging with the company on its ESG disclosure, which it sees the need to improve, particular for its carbon footprint. In May 2021, JPM wrote a letter to the board chairman to summarize its ESG suggestions including recommendations on climate disclosure. In late 2021, the company responded to CDP climate change survey for the very first time. It discloses its Scope 1 and Scope 2 emissions and a 42% reduction target by 2030 from 2020 level of Scope 1+2 emissions. JPM welcome Shenzhou's response to the CDP survey and its acknowledgment of the importance of climate change management. JPM is looking forward to more initiatives from the company in climate change mitigation and more details in its climate disclosure.

		Year to 31 March 2022
<b>JPM China Equities</b>	Votable proposals	208
	% of resolutions voted	100%
	% of resolutions voted against management	9%
	% of resolutions abstained	0%

*Note: the investment was made in December 2021.*

#### Fixed Income:

The Scheme has fixed income exposure via the Cashflow-Driven Investment (CDI) portfolio, as well as fixed income funds managed by BlackRock, T. Rowe Price, Wellington, Ashmore (which was sold in February 2022) and Neuberger Berman. Despite not having voting rights attached to the investments, the Trustee expects fixed income managers to be active owners and engage with issuers.

Voting and engagement practices with regards to listed equities are generally more developed than other asset classes, with greater transparency and standardisation of reporting. In addition, where there are funds which invest in government bonds (for example Neuberger Berman), the method by which an investment manager engages with an issuer are often more complex. Engagement examples in respect of some of the Scheme's fixed income managers have been included in Appendix 1. The Trustee is comfortable that the fixed income managers have provided examples of engagements with issuers to the Managers.

#### Alternatives:

The Scheme's alternative assets investment managers are Equitix, Partners Group and BlackRock. The Trustee acknowledges that approaches to stewardship, voting and engagement for private market assets, such as infrastructure, are likely to be more idiosyncratic than for public equities. Furthermore, as previously noted for closed-ended vehicles there is less propensity to disinvest for both the manager and the Trustee. Nonetheless, the Trustee expects the alternatives managers to take an active role in the stewardship of investments.

#### Partners Group:

The Partners Fund provides diversified exposure to alternative assets, predominantly in private markets. As such, there is a greater emphasis on engagement rather than voting for the fund when compared with the listed equities funds.

Partners Group has provided the Manager with examples of investments where ESG considerations have been integrated into the investment decision-making process and examples where Partners Group has engaged with investee companies to mitigate ESG-related risks. An example of an engagement with an investee company is provided below.

---

**Approach to Voting**

Partners Group votes based on its internal Proxy Voting Directive. Partners Group utilises the services of Glass Lewis, which is instructed to vote in-line with Partners Group's Proxy Voting Directive. Wherever the recommendations from Glass Lewis, the proxy voting directive, and the company's management differ, Partners Group votes manually on those proposals.

---

**VSB  
Renewables  
Platform**  
(European  
Renewables  
Platform)

As Partners Group controls the Board, please see below the ESG efforts of a portfolio company.

VSB initiated the ""VSB Goes Green Initiative"", which includes several ESG projects aimed at deepening the alignment of business units and employees with the climate friendly nature of the company. One of the initiatives includes assessing Scope 1 and Scope 2 emissions with the support of an external advisor. VSB aims to reduce its carbon footprint.

The company has also initiated a comprehensive health and safety review to promote the well-being of its employees. VSB completed a detailed assessment of its IT and cyber security setup across offices with an external consultant. VSB will make the necessary improvements based on the outcome of this engagement.

---

**The Partners  
Fund**

---

**Year to 31 December 2021**

Votable proposals	811
% of resolutions voted	92%
% of resolutions voted against management	5%
% of resolutions abstained	4%

*Note: Partners Group only provides voting statistics on a semi-annual basis, as such these are provided for the year to 31 December.*

---

## 6. Concluding remarks

The Trustee is comfortable that the policies in the SIP have been followed over the year to 31 March 2022. The Trustee expects that the format and content will evolve over time, in line with guidance and to reflect any future changes in the SIP.

The December 2020 SIP expanded the Trustee's policy in order to incorporate an updated Stewardship Policy as well as a more comprehensive policy on "Engagements with Asset Managers". The Trustee will continue to receive further training in relation to ESG issues and will evolve policies over time, including more widely across the Scheme's assets.

The Trustee recognises the responsibility that institutional investors have or promote high standards of investment stewardship and will continue to use the influence associated with the Scheme's assets in order to positively influence the Scheme's investment managers.

## Appendix 1 – Fixed Income Engagement Examples

Manager	Neuberger Berman – EM Debt (LC)
Example 1	<p><b>Turkey:</b>  <b>Main topic:</b> Video meetings with Central Bank of Turkey management (Apr-21 and Oct-21)  <b>Side topic:</b> Central bank independence</p> <p><b>Outcome:</b> We raised in our first meeting with the new management in April 2021 their commitment to institutional continuity and independence following the previous governor's dismissal the month before and in line with our concerns on the overall deterioration of rule of law in Turkey. The presentation by the research department put significant emphasis on the need to keep tight monetary policy given domestic demand trends, and the new governor himself stressed that despite his earlier public views about looser policy and background as a former ruling party member of parliament he would ensure institutional continuity and not involve politics in decision-making. By our second meeting in October 2021, these assurances had not held, with the central bank having begun a highly controversial monetary easing cycle in line with President Erdogan's continued public interference in favour of lower rates even though inflation was on the rise domestically and globally, and various global central banks had either signaled or begun tightening of monetary policy. Various credible policymakers had also left the bank, including the head of research and two deputy governors that we had spoken to in April. The governor was defensive and said the decision last month and guidance to cut more in coming months was driven by data. These poor policy choices led to a currency meltdown in the fourth quarter and year-end inflation moving to 36% from 19.6% when the easing cycle had started, hampering future economic growth and the health of the financial sector. We have reduced our exposure to Turkey in hard and local currency funds through the year.</p>
Example 2	<p><b>Poland</b>  <b>Main topic:</b> Government plans to address climate change, reduction of coal share in the energy mix and deforestation.</p> <p><b>Outcome:</b> Climate and Environment Minister Kurtyka gave an extensive review of Poland's climate and energy reform plans, which entail a mix of coal use reduction and boosting the share of renewables. He underlined "bottom up" progress led by the private sector that has seen expansion in offshore wind power and solar energy. Poland now exports 4 billion euros in solar batteries (1.7% of exports) and supplies 46% of the zero-emission buses in the EU. The most challenging area is the coal sector, with the overall mining sector employing 80,000 people. Recently an EU court sided with the Czech Republic on the Turow brown coal mine, ordering its closure due to environmental reasons. Minister Kurtyka expects a negotiated solution to the issue and that the government's non-abiding with the ruling is only because the court went beyond what would have been expected in a temporary ruling. The government is committed to reduce its share of coal in the energy mix from the current 70% to 12% by 2040 but also acknowledges that repurposing 80,000 people is unrealistic while highlighting that this number has dropped from 400,000 in 1989 when the country moved away from communism. We raised that while Poland performs well in the environmental indicators overall, deforestation appears to be an area that it scores low. We have also highlighted our thermal coal policy for corporates and that it is only a matter of time that there will be expectation for a sovereign coal policy. While Poland's long-term plans are ambitious, more reduction in coal reliance in a shorter time frame would be beneficial in not losing access to climate financing. We find it to be constructive that the Ministry is communicating with investors proactively as Poland comes under more scrutiny due to its reliance on coal. We hold local currency bonds from Poland and remain keen to continue engaging the government further on deforestation, coal reliance and other climate issues.</p>

<b>Manager</b>	T. Rowe Price– Global High Yield
<b>Example 1</b>	<p><b>Ecopetrol</b></p> <p>Ecopetrol is an oil and gas exploration and production company that is majority-owned by the Colombian government. We engaged with the company to discuss its new sustainability strategy and climate road map.</p> <p>The purpose of our engagement with Ecopetrol was to discuss its sustainability strategy and climate road map after it released an updated sustainability strategy this year. The updated strategy calls for a net zero target for scope 1 and 2 emissions by 2050 and includes long-term targets and road maps for climate, water, and local development where Ecopetrol aims to be a best-in-class energy company.</p> <p>In addition to the scope 1 and 2 emissions target, Ecopetrol has set a target to reduce scope 3 emissions by 50% by 2050 as well as short- and medium-term targets that are aligned with national-level targets in Colombia. It plans to reduce flaring and increase the use of renewables and technology to better detect methane emissions. After 2030, Ecopetrol will rely on emerging technologies such as carbon capture and storage, hydrogen, and batteries. The company also aims to reduce emissions in its up- and downstream value chains.</p> <p>Ecopetrol seeks to increase the reuse and recycling of water, another priority in its sustainability strategy. Certain regions in Colombia suffer from elevated water stress, and the company does not want to add to the problem.</p> <p>The company's ESG disclosure is aligned with the Global Reporting Initiative and Sustainability Accounting Standards Board reporting frameworks, and it is working on a Task Force on Climate-Related Financial Disclosures report. It has also made submissions to the Carbon Disclosure Project for the climate change and water security modules.</p> <p>The engagement informed our investment research and allowed us to update our Responsible Investing Indicator Model (RIIM). Despite not being in line with a 2050 net zero target, Ecopetrol's comprehensive sustainability strategy and greenhouse gas reduction targets compare favorably to other quasi-sovereign oil and gas companies.</p>

<b>Manager</b>	<b>Wellington Global High Yield</b>
<b>Example 1</b>	<p><b>Viavi Solutions</b></p> <p>Viavi Solutions manufactures testing and monitoring equipment for networks. We initiated a position in the company in March 2021, given the company is likely to benefit from a multi-year upgrade cycle with a strong balance sheet and attractive risk/reward valuation. Viavi recently proposed a shareholder vote in October 2021 related to executive compensation. Specifically, they proposed a CEO remuneration plan designed to act as a retention mechanism given the CFO had recently departed the company. The plan entailed several components, including a performance-based award based on a sustained share price increase. However, we felt the target for this share price increase was too low and arranged an engagement with the company to communicate our thoughts on the proposal. Ultimately, the company decided not to change the target for this share price increase, and we voted against the proposal as we felt the target was too low to be considered in shareholders' best interests.</p>
<b>Example 2</b>	<p><b>Builders FirstSource</b></p> <p>As of 31 December 2021, we have an overweight exposure to Builders FirstSource. The company manufactures and supplies building materials and provides construction servicers to professional homebuilders, remodelers and consumers in the US. From an "E" perspective, the company has some innovative products, such as READY-FRAME, that helps reduce waste and value chain emissions. As the largest US supplier of building products, the company plans to set a greenhouse gas (GHG) reduction target to further reduce emissions from their large fleet of trucks. BLDR has a Responsible Supply Chain policy with top suppliers working with organizations that certify the sustainability of raw materials. From an "S" perspective, the company views human capital to be the key, where they focus on Diversity, Equity &amp; Inclusion and safety performance. From a "G" standpoint, we are pleased to see the significant financial/accounting and industry experience amongst their board members, but prefer to see</p>

	more diversity. Furthermore, we believe their compensation plan is reasonable with annual bonus driven by adjusted EBITDA, working capital and operating objectives, such as safety. We are comfortable with our current overweight exposure and will continue to engage/monitor the company.
--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------