DCWW Pension Scheme
Engagement Policy Implementation Statement

31 March 2024

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Executive Summary

This Engagement Policy Implementation Statement sets out the Trustee's policies on the stewardship of assets, voting and engagement.

It also describes 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 receive their benefits. As part of this responsibility, numerous risks must be considered. This statement is concerned primarily with Environmental, Social and Governance (ESG) risks, such as climate change, which have the potential to affect the value of the Scheme's assets, both positively and negatively.

The Trustee recognises that regulation, associated guidance and best practice are all evolving. The Trustee expects that the policies and engagement activities undertaken on behalf of the Scheme will also evolve.

The Trustee has received training on sustainable investment and continues to receive reports which cover ESG metrics. The Trustee will continue to work with its Fiduciary Manager, BlackRock, in this area.

Overall, the Trustee is comfortable that its policies on stewardship, voting and engagement have been followed during the year to 31 March 2024.

The Trustee has taken note of the "*Guidance issued by the DWP relating to Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement*", published in July 2022.

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 in relation to the investment 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").

The EPIS describes how, and to what extent, the policies on stewardship, voting and engagement, as laid down in the Statement of Investment Principles ("SIP"), have been followed.

This EPIS covers the Scheme's accounting year to 31 March 2024. It is intended to meet the updated regulations and it will be included in the Scheme's Report & Accounts. In preparing this statement, the Trustee has taken advice from its professional advisers.

The EPIS details some of the activities taken by the Trustee, the Fiduciary Manager ("FM") and the underlying fund managers ("UFMs") during the period, together with the Trustee's opinion on these activities.

2. Policies

The Trustee's policies on stewardship, voting and engagement are laid down in the SIP. The most recent version of the SIP is publicly available online and will be updated from time to time.

The Trustee has appointed BlackRock as the adviser and FM for the Scheme. The Trustee delegates the day-to-day investment decisions and asset allocation to the FM. The Trustee retains responsibility for the strategic investment objective and for oversight of the FM.

During the year to 31 March 2024 the Trustee updated the SIP in December 2023. The policies contained in the December 2023 SIP are therefore relevant to this Statement.

The Trustee takes note of the "*Guidance issued by the DWP relating to Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement*" published in July 2022.

3. Scope of the EPIS

The Trustee acknowledges that the application of its policies on stewardship, voting and engagement can vary across the portfolio. For example, voting rights are not usually attached to fixed income securities, and the applicability to cashflow driven investment portfolios is limited. In addition, the Scheme invests in a number of illiquid investments, where there is less scope for disinvestment, so engagement with UFMs is important.

Nonetheless, the Trustee and the FM expect all UFMs 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 requires the FM to engage with the UFMs to ensure they continually improve their ESG policies and actions. As part of the Trustee's ESG policy, the FM is required to review the policies of each UFM to ensure that these are appropriate, and to monitor adherence to them.

The Trustee expects the FM to work with UFMs to ensure that those on the weaker side of voting and engagement take action to improve. The FM has acknowledged that all UFMs have been taking steps to improve both their voting and engagement, and that "best in class" practice continues to evolve. The Trustee will be closely monitoring developments over the coming years.

5. Voting and Engagement

The Trustee has delegated responsibility to the FM for obtaining stewardship and engagement reports from the UFMs and for assessing their suitability. The Trustee also expects the FM to monitor each UFM's activity to ensure compliance and to confirm that it remains a suitable investment for the Scheme. The Trustee is comfortable that the responsibility sits with the FM to communicate with the UFMs and to collect information from them on a regular basis.

The FM has noted that UFM engagement and voting policies vary, with equity managers generally having made more progress than fixed income. This EPIS includes voting examples from the Scheme's equities managers and from the Partners Fund. In addition, examples of engagement from some of the Scheme's fixed income funds are included in Appendix 1.

At this stage the Trustee has not identified stewardship priorities or themes for the UFMs to exercise votes in line with. The Trustee has elected for the UFMs, including the FM, to exercise votes in line with the UFMs' own stewardship policies. In line with this decision, the Trustee has not provided an expression of wish on how it would like investment managers to invest on any individual vote. However, UFMs are expected to have strong stewardship policies and processes, reflecting (where relevant) the recommendations of the UK Stewardship Code issued by the Financial Reporting Council.

The section below details the UFMs' approach to voting and engagement, as well as some examples of significant engagements involving the Scheme's investments.

Summary voting statistics for the Scheme's equities funds over the year to 31 March 2024 have also been included.

BlackRock

The Scheme has a portion of its Growth assets invested in funds managed by the FM. Given BlackRock's appointment as both FM and one of its UFMs, the Trustee recognises the importance of ensuring that BlackRock's own policies and actions are appropriate for the Scheme.

BlackRock publicises its own policies as well as quarterly updates online (here). This site details any changes to policies, and it reports at an aggregate level on the impact of BlackRock's voting and engagement. The Trustee is comfortable that the transparency of BlackRock's online reports ensures alignment with the interests of the Scheme.

Whilst it is important to monitor the activities of BlackRock 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 at a granular level.

With the exception of the BlackRock European Equities fund, BlackRock Factor Equities and BlackRock Thematic Equities, the Scheme's BlackRock equities funds are passive (i.e. index) strategies. In respect of passive strategies, there is a wide range of underlying companies.

Where strategies are actively managed, investments are typically more concentrated and there will be fewer resolutions on which to vote. In addition, actively managed strategies have the option to sell holdings in companies at its discretion. For these reasons, it is important that voting and engagement rights for passive strategies are exercised and that this is monitored.

Examples of significant votes in respect of the BlackRock holdings are included below. The summary voting statistics illustrate that the voting rights on these underlying investments have been exercised to a large extent.

BlackRock's approach to voting is described below, along with summary voting statistics for the equities funds.

Approach to voting	BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty and as a way to 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 within 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 in its voting and engagement analysis, including a company's own disclosures, public information and ESG research. BlackRock uses Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock works with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision.
YUM! Brands, Inc. (Yum!) (US restaurant company)	YUM! Brands, Inc. (Yum!) is a restaurant company that owns and operates the KFC, Pizza Hut, Taco Bell, and The Habit Burger Grill restaurant franchises. At the May 2023 AGM there were five shareholder proposals. Ahead of the May 2023 AGM, BIS engaged with members of Yum!'s management team to help inform their voting. They sought to further their understanding of the matters on which shareholders requested additional disclosure and they assessed the business relevance and financial implications of each proposal. BIS did not believe it was in the financial interests of their clients to support these shareholder proposals and as such BIS voted against all 5 of the shareholder proposals, which was in line with management's recommendation. Of the 5 shareholder proposals, 2 of these were withdrawn and the remaining 3 were not passed.

	One shareholder proposal addressed the company's plans to reduce single-use plastic packaging. This shareholder proposal requested that Yum!'s board issue a report "…describing how the Company will reduce its plastics use by shifting away from single-use packaging…" in response to recent regulatory trends in certain jurisdictions which have levied taxes on and/or banned the use of single-use plastic products. The proposal further clarified that such a report should explicitly "evaluate dramatically reducing the amount of plastic" used in the company's packaging. BIS did not support this proposal, which requested Yum! to issue a report detailing the company's efforts to reduce plastics use. In their analysis, Yum!'s existing disclosures on plastics use – particularly their new packaging policy and reduction goals – are comprehensive and provide sufficient information to allow investors to understand the company's approach to managing the risks of plastics use. In July 2022, Yum! updated their sustainable packaging policy, outlining the actions they have taken and those that they plan to take to address the issue of plastic-based packaging. Among other things, the company set goals to eliminate unnecessary plastics use, reduce virgin plastic content by 10%, and move consumer-facing plastic packaging to be reusable, recyclable, or compostable by 2025 across all brands. BIS notes that there are areas where, in their assessment, Yum! could improve their disclosure, particularly in setting targets for reusable packaging. However, Yum!'s existing disclosures and commitments are sufficiently comprehensive for investors to understand their approach. BIS did not consider it necessary for shareholders to direct management to undertake a review of Yum!'s sustainable packaging policy and targets less than a year after these were introduced as they believed it was not in the financial interest of their clients to support the shareholder proposal.
BE Semiconductor Industries N.V (Besi) (Dutch manufacturer)	Besi is a Dutch multinational company that designs and manufacturers semiconductor equipment. BIS has regularly engaged with Besi due to poor remuneration practices. At Besi's 2020, 2021, and 2022 annual general meetings (AGMs), BIS did not support the company's remuneration policy or remuneration report. This is because in BIS' assessment, the remuneration practices led to excessive payouts. At Besi's 2023 AGM, BIS did not support the 2022 remuneration report given they continue to observe areas for improvement. For example, the metrics introduced were not challenging – the long-term incentive plan still vests for underperformance against peers on a total shareholder return basis. BIS also noted that the company used the same metrics in both the short- and long-term incentive plans, resulting in the rewarding of executives for the same performance twice. However, contrary to the past years, at the 2023 AGM, BIS voted in favor of the 2024 remuneration policy. BIS note that Besi eliminated the ability of the remuneration committee to use discretion, introduced more stretching performance conditions, and limited the award potential to a percentage base salary to reduce the likelihood of excessive payouts. Furthermore, the company introduced share ownership guidelines for executives to reinforce their alignment with shareholders' interests and established a more robust peer company selection process. Overall, BIS are highly encouraged by the company's responsiveness to shareholder feedback and supported the 2024 remuneration policy proposal.

		Year to 31 March 2024
BlackRock Europe Equities (Active)	Votable proposals	843
	% of resolutions voted	82%
	% of resolutions voted against management	6%
	% of resolutions abstained	1%

		Year to 31 March 2024
BlackRock US Equities (Index)	Votable proposals	7,467
	% of resolutions voted	100%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%

		Year to 31 March 2024
BlackRock UK Equities (Index)	Votable proposals	14,770
	% of resolutions voted	96%
	% of resolutions voted against management	3%
	% of resolutions abstained	1%

		Year to 31 March 2024
BlackRock Asia Pacific Equities (Index)	Votable proposals	3,119
	% of resolutions voted	100%
	% of resolutions voted against management	10%
	% of resolutions abstained	0%

		Year to 31 March 2024
BlackRock Japan Equities (Index)	Votable proposals	6,075
	% of resolutions voted	100%
	% of resolutions voted against management	4%
	% of resolutions abstained	0%

		Year to 31 March 2024
iShares Edge MSCI	Votable proposals	2,078

USA Value Factor ETF	% of resolutions voted	100%
	% of resolutions voted against management	1%
	% of resolutions abstained	0%

BlackRock Factor Equities (Active)		**Year to 31 March 2024**
	Votable proposals	2,935
	% of resolutions voted	94%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%

BlackRock Thematic Equities (Active)		**Year to 31 March 2024**
	Votable proposals	22,012
	% of resolutions voted	96%
	% of resolutions voted against management	7%
	% of resolutions abstained	2%

Other investment managers

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

Schroders:

Approach	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. 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.

	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. Further details on Schroders' approach to voting can be found here.
Terna Energy (Greek renewable energy company)	Terna Energy is a Greek renewable energy company that plays a leading role in clean energy production while carrying out innovative projects for the environment, which contribute to sustainable development. Throughout 2023, the Schroders investment team engaged with Terna Energy on the follow issues: • Supply chain management – how much ESG focus is given to their suppliers? • Biodiversity management – how does Terna ensure that environmental risks and depletion are managed across operations? In terms of the supply chain management, Terna adopted a procurement policy in 2022 and suppliers/partners are selected in line with these policy provisions. Terna have been applying the Code of Ethics, GDPR, human rights and purchasing policies to suppliers and as such, suppliers must provide policy statements regarding forced labour and evidence of control and monitoring facilities. Terna has the right to conduct inspections on suppliers and can terminate contracts should a supplier fail to abide by their principles and values. On biodiversity management, Terna is in full compliance with legislation and environmental requirements, whilst climate risks are formulated into the company's strategy. The following impact management initiatives are applied: investigation of project areas and whether they are governed by specific regulatory restrictions (including protected areas); preparation of environmental impact studies and implementation of an environmental management system; and installations of bird protection systems, approved by the environmental terms. For every project that is completed within forest areas, reforestation is performed equal to the project size.

		Year to 31 March 2024
Schroders EM Equities	Votable proposals	2,085
	% of resolutions voted	95%
	% of resolutions voted against management	8%
	% of resolutions abstained	5%

Wellington:

Approach	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. Wellington's policies can be found here.
NCsoft Corporation (South Korean video game developer)	NCsoft Corporation develops and publishes online games worldwide. The company is also involved in call center management, professional baseball, and media content creation. The company's financial statements and allocation of profits/dividends were up for a vote at the annual general meeting in 2023. Korean regulation does not require audited financial statements to be published in a meeting notice nor in the meeting circular. Therefore, unless the company discloses its auditor's report around the announcement of the annual general meeting, it is difficult for shareholders to determine whether they received audited financial statements in the meeting circulars. An auditor's opinion is crucial to provide independent examination and verification of a company's financial statements and therefore understand the true financial condition and associated risk of a company. Because at the time of the vote, Wellington could not verify the auditor's opinion of the company's financial statements. Wellington therefore chose to vote against the proposal.

Wellington Small Cap Equities		**Year to 31 March 2024**
	Votable proposals	1,415
	% of resolutions voted	97%
	% of resolutions voted against management	6%
	% of resolutions abstained	0%

J P Morgan

Approach	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. JP Morgan subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS), GES International (Sustainalytics) and Glass Lewis.

	JP Morgan's Sustainable Investing Oversight Committee is made up of chief investment officers and leaders from its sustainable investing and control functions, and serves as a single point of strategic oversight, decision-making, review and assurance. 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. Further details on JP Morgan's voting policies can be found here.
China Merchants Bank Co., Ltd (Chinese Bank)	China Merchants Bank operates as a commercial bank in China. JP Morgan believes that a strong independent element to a board is essential to the effective running of a company and they expect that majority of the board should be comprised of independent directors with clear steps being taken to improve board independence over time. At the same time, non-executive directors should have sufficient time to meet their board responsibilities. In order to be able to devote sufficient time to his or her duties, JP Morgan would not normally expect a non-executive to hold more than three significant directorships at any one time. In June 2023, there was a vote to elect a director. The director candidate is a newly proposed non-independent non-executive director who serves five public boards currently, and the company's board independence is at 38%, below JP Morgan's expectation of at least majority independence. As such, JP Morgan voted against his election.

JPM China Equities

(Sold in October 2023)

	Year to 31 March 2024
Votable proposals	567
% of resolutions voted	100%
% of resolutions voted against management	11%
% of resolutions abstained	0%

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, Payden & Rygel, Wellington 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 BlackRock funds, Payden & Rygel and 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 unique than for public equities. Furthermore, as previously noted, for closed-ended vehicles there is less tendency 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.
Breitling (Swiss luxury watchmaker)	As Partners Group controls the Board, please see below the ESG efforts of a portfolio company. Since 2020, Breitling has measured its environmental impact, including greenhouse gas emissions, and developed measures to reduce the negative impact, mainly in its supply chain. In March 2023, the company submitted a target validation request to the Science Based Targets initiative. Breitling aims to minimize its environmental impact, reducing Scope 1 + 2 emissions by 80% by 2032 and achieving net zero by 2050. The company supported various carbon removal and avoidance activities, partnering with Swiss service providers like Southpole and Myclimate. Breitling aims to improve its product supply chain beyond carbon removal. The company launched the "Origins" product line and released the Super Chronomat Automatic 38 Origins, its first raceable watch.

		Year to 31 December 2023
The Partners Fund	Votable proposals	847
	% of resolutions voted	100%
	% of resolutions voted against management	5%
	% of resolutions abstained	3%

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, including the stewardship policy, in the SIP have been followed over the year to 31 March 2024.

The Trustee expects that the format and content of this Statement will evolve over time, in line with guidance and to reflect any future changes in the SIP.

The Trustee recognises the responsibility that institutional investors have to 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	**Colombia:** **Main topic:** Engagement focused on renewable energy expansion and reduction of carbon emissions. **Outcome:** Colombia has been successfully decreasing its GHG emissions per GDP. Hydro power makes up 71% of electricity generation. To meets its 2021 NDC targets (51% reduction by 2030) Colombia needs to exit coal (which makes up about 10% of electricity generation) and move to non-hydro renewables (currently 1%). The Manager had a discussion with the Ministry of Finance during an investor trip to Bogota to get an update on the government's climate change mitigation plans and how these are impacted by the recent increase in oil prices. The findings were as follows: • The authorities targeted increasing non-hydro renewables share to 5.4% by 2023 and 18.1% by 2024. This required a 487MW solar park to come online at end-23 and 1000MW in other solar/wind/biofuel capacity which should have come already in 2022. There are plans to issue green bonds in 2024 as international bilateral support has lagged. • The most recent energy plan did not include any additional new coal-fired power plants; however, the authorities do not yet plan to sign up to the Coal Exit initiative as they expect coal use for steel production to remain while this is reduced in smaller mining projects. • The government introduced legislation on deforestation and signed up to the Deforestation Pledge in Glasgow. It aims to tackle the recent increase in deforestation. They pointed to advancements shown by private enterprises to increase efficiencies for agriculture and livestock management. • The government have been expediting the reduction of gasoline subsidies, and as a result, local gasoline prices are now aligned with international prices A reduction in diesel subsidies is less probable in the near term due to its more significant impact on CPI and the economy. While the water reservoir capacities are currently secure, there is an observable decrease in river flow. In the event of a prolonged and intensified El Niño phenomenon, they may need to revert to using gasoline for energy. The Manager is satisfied with the government's efforts so far to tackle climate change and will continue to monitor progress in this area.
Example 2	**Sasol:** **Main topic:** Engagement on GHG Reduction and Emissions Management.

	Outcome: Sasol Limited, a leading integrated chemicals and energy company based in South Africa, is known for its significant footprint in the development and implementation of technologies for synthetic fuels and chemicals production. The company is publicly listed, with a substantial part of its operations centered around the utilisation of coal and natural gas as primary feedstocks. The Manager's engagement with Sasol focused on understanding the company's strategic plans and initiatives towards reducing GHG emissions, managing carbon tax implications, and addressing SO2 emissions challenges. The Manager aimed to assess Sasol's commitment to environmental sustainability and its roadmap towards achieving Net Zero emissions. The findings were as follows: • Sasol aims to reduce Scope 1 and 2 emissions by 30% by 2030 (from 2017 levels) and achieve Net Zero by 2050. This includes shutting down boilers, importing 1.2GW of renewable energy by 2030, reducing coal use by 25% by 2030, and investing in energy efficiency. • Sasol is transitioning from coal to gas and targets a 20% cut in Scope 3 (category 11) emissions by 2030, mainly by decreasing coal exports. Approximately 1.2GW of renewables will be procured by 2030, with committed green capex investments. • South Africa's carbon tax is expected to rise by 2030. Sasol is preparing for this and does not perceive it as a major threat. Carbon taxes are recognized in its income statement, comprising a small fraction of operational expenses. • SO2 Emissions: Sasol received approval to switch to a load-based emissions limit for its Secunda steam plant boilers, a move that aligns with its strategy and addresses previous challenges with the concentration-based method for SO2 emissions.

Manager	T. Rowe Price– Global High Yield
Example 1	**Banca Transilvania (BT)** Banca Transilvania (BT) is a large bank in Romania. The Manager responded to the bank's stakeholder survey to engage on the bank's overall ESG disclosure. In the survey, the Manager ranked the environmental and social topics they believe are most financially material to the company. The company included managing the financed emissions on the balance sheet, scaling up green lending; customer satisfaction; and cyber security. The survey also gave the Manager an opportunity to provide feedback on the company's climate strategy. In their view, BT's overall disclosure is good, and the bank is ahead of regional peers in measuring the financed emissions on the balance sheet. However, the bank falls behind global best practice as it has not set any reduction targets for financed emissions.

	The Manager reiterated several recommendations they made during their previous engagement with the bank in September 2023, including setting financed emission reduction targets and establishing a framework to assess the credibility of clients' transition plans.
Example 2	**Turk Telekomunikasyon (Turk Telekom)** Turk Telekomunikasyon (Turk Telekom) is a state-owned Turkish telecommunications company. T Rowe engaged with the company for a discussion focused on board level gender diversity, energy and emissions, e-waste management, and water management In terms of board gender diversity, Turk Telekom currently has no female on its board and hence fails the Good Governance test in their proprietary Responsible Investing Indicator Model (RIIM). The Manager encouraged the company to consider having gender diversity at the Board level as a high priority. It is currently aiming to have women on the Board in 2024 and to gradually increase the number of women in management and executive positions. The company has also been prioritising female candidates with comparable qualifications during the recruitment process. T Rowe also discussed ESG governance and disclosure. Turk Telekom has strong ESG governance, with a Sustainability Committee chaired by the Chief Executive Officer and reporting directly to the Board on a regular basis. The company's current ESG report is in accordance with Global Reporting Initiative (GRI) Standards. The Manager recommend that the company work toward adherence to the Sustainability Accounting Standards Board (SASB) framework and the Task Force on Climate-related Financial Disclosures (TCFD) guidelines. On the topic of energy and emissions, Turk Telekom is only disclosing part of its scope 31 emissions in its latest reporting. That said, the company is working with external consultants to measure its full scope 3 emissions broken down into 15 categories and in line with the Greenhouse Gas Protocol guideline. Currently, Turk Telekom has set a short-term scope 1-2 emissions reduction goal of 35% by 2023 vs. 2020 and it will disclose its progress in the 2023 ESG report. The company has also set some science-based targets internally but has not publicised these. As next steps, T Rowe recommended it discloses its science-based targets and sets a net zero target. Turk Telekom has started some initiatives on e-waste recycling. Currently, the company does not measure the reuse and recycle rate of its customers' end-of-life electronic equipment because all the e-waste produced is sent to third-party recycling facilities. The Manager encouraged Turk Telekom to work with these facilities to track the data. They also urged the company to set some quantitative targets on e-waste management such as zero waste to landfill and the percent of network equipment reused, resold, and recycled. On the subject of water management, although water scarcity risks are rising quickly in certain parts of Turkey, Turk Telekom mentioned that none of its operations are currently exposed to high water risk. The company's water use has decreased by more than 53% since 2015. T

	Rowe recommended it start carrying out water risk assessments for its base stations and data centers, which the company has already started doing so in preparation for its Carbon Disclosure Project (CDP) reporting.

Manager	**Wellington Global High Yield**
Example 1	**Ecopetrol (EC):** In recent engagements with Ecopetrol (EC), a state-owned oil company based in Columbia, Wellington discussed updates on the company's environmental practices, particularly related to energy transition. Through Wellington's engagements, they've learned that Ecopetrol has set ambitious environmental goals that align with the political agenda of Colombia's new president, Gustavo Petro, who is focused on the energy transition and ambition for the company to be the government's energy transition vehicle. Colombia has a legally binding 2050 net zero GHG emissions target and given Ecopetrol's status as a quasi-sovereign oil company. They believe they will be instrumental in the government's environmental agenda. In collaboration with Wellington's EMD corporate and ESG analysts, they believe that the company is among the best positioned of the EM national oil companies. Ecopetrol has the lowest greenhouse gas emissions of the group and has been investing in renewables to power operations and further reduce the CO2 of energy consumed. As Wellington believe EC is well positioned to accelerate Columbia's energy transition with support from the national government, they remain comfortable with this holding at this time.
Example 2	**UBS Group AG (UBS)** In recent engagements with UBS Group AG (UBS), a company that provides financial advice and solutions to private, institutional, and corporate clients worldwide, Wellington discussed updates about the company's social and governance practices. UBS remains the benchmark for ESG in the European banking space due to the company's ability to consistently manage its risk. UBS has only a small amount of fixed assets on its balance sheet (particularly in relation to assets exposed to climate risk) which has helped risk management. Additionally, with the large French tax case behind the group and past legacy governance concerns mitigated, it's clear that the board and management can refocus on growing the businesses effectively. While UBS's relationship with its customers, staff and regulators are relatively healthy, it remains a business that trades on legacy perception of trust and security which implies that the company will likely remain closely monitored for responsible selling by regulators. Wellington view the additions of Colm Kelleher as chairman and Sarah Youngwood as CFO adding valuable investment banking and wealth management expertise to the Chair, CEO, CFO complex.

Manager	Payden & Rygel – Global Emerging Markets Bond Fund
Example 1	**Indonesia** Payden had the opportunity to attend an in-person small group meeting in Los Angeles with approximately a dozen top-level officials from Indonesia. The Manager wanted to get a sense

	for how they planned to leave things prior to the election in February, and also ask directly about coal emissions and the impact of exclusion policies on their energy transition plans. The Indonesians emphasised their significant clean energy transition efforts and stated that they believe they are more oriented towards this issue than other EM countries. Payden asked directly about the impact of exclusion policies for coal. The authorities viewed this as extremely counterproductive to their energy transition. On the governance side, Payden were reassured by the officials' presentation of the 2024 budget, and a seeming lack of concern around the February election. The officials seemed to think there would be continuation in policy regardless of the election outcome.