



DCWW Pension Scheme Engagement Policy Implementation Statement

31 March 2023

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 (ESG) 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.

Overall, the Trustee is comfortable that the policies with regards to stewardship, voting and engagement have been followed over the year to 31 March 2023. The Trustee notes the "Guidance issued by the DWP relating to Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement" 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 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 2023. 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 its 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 31 March 2023 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.

The Trustee notes the “Guidance issued by the DWP relating to Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement” in July 2022. Going forwards, the Trustee plans to develop its policies and build more elements of this guidance into future iterations of 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, and the applicability to cashflow 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, 5 of the 9 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.

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 their 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.

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 2023 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. 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. Examples of significant votes in respect of the BlackRock holdings are 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 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.

BE Semiconduct or 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.

In 2022, BIS voted against Besi's remuneration for generous discretionary rewards to the CEO that had no compelling rationale. The proposed rewards included an additional 103,000 shares worth 5.7m euros. As a result, BIS believed the CEO's overall pay package was excessive and almost 9 times above the company's peer group.

In addition, the company did not submit a new remuneration policy after the former was rejected in 2021. Questions have also been raised on the appropriateness of some of the company's performance metrics where there is double counting of the same performance.

However, following a constant dialogue with the company, BIS and BlackRock's European Equity team have noted significant improvements in the remuneration practices, including:

- Transparency on the approach used when determining pay
- Introducing a cap that is applicable as a percentage of base salary
- Introducing share ownership requirements

BIS look forward to seeing the result of the changes to remuneration practices at the 2023 AGM.

Rio Tinto Group (Rio Tinto plc and Rio Tinto Limited) (Anglo- Australian)

The Rio Tinto Group engages in the exploration, mining, and processing of minerals globally.

BIS has a long history of engagement with Rio Tinto Group where they have discussed topics including board quality and company impacts on people. In addition, Rio Tinto Group will play a critical role in the global energy transition. BIS continues to develop an understanding of their approach to climate-related risks and opportunities, as well as their strategy to transition to a low-carbon economy.

metals and
mining
corporation)

At the Q2 2022 AGM there were ten shareholder proposals and a number of key resolutions. One management proposed vote was on the group's Climate Action Plan as set out in the group's report "Our Approach to Climate Change 2021". The Climate Action Plan articulates the steps the group will take to align their commitment to net zero by 2050. For example, the group aims to reduce their scope 1 and scope 2 emissions by 15% in 2025 and 50% in 2030 in line with the Paris Agreement. The Climate Action Plan also considers a \$7.5 billion capital investment between 2022 and 2030 to deliver the group's decarbonization strategy.

The Board recommended voting FOR this shareholder proposal. BlackRock voted FOR this shareholder proposal because as the world transitions to a low-carbon economy, BIS seeks to hear from companies on how they are assessing and managing the risks and opportunities from the global energy transition, while also managing a reliable energy supply.

BIS are encouraged by the actions the group has taken to improve their transparency in their long-term climate change strategy. BIS will continue to engage with the group to further assess their progress.

	Year to 31 March 2023
BlackRock Europe Equities (Active)	
Votable proposals	951
% of resolutions voted	80%
% of resolutions voted against management	8%
% of resolutions abstained	2%
BlackRock US Equities (Index)	Year to 31 March 2023
Votable proposals	7,029
% of resolutions voted	99%
% of resolutions voted against management	2%
% of resolutions abstained	0%
BlackRock UK Equities (Index)	Year to 31 March 2023
Votable proposals	14,903
% of resolutions voted	96%
% of resolutions voted against management	4%
% of resolutions abstained	2%
BlackRock Asia Pacific Equities (Index)	Year to 31 March 2023
Votable proposals	3,317
% of resolutions voted	100%
% of resolutions voted against management	12%
% of resolutions abstained	0%
BlackRock Japan Equities (Index)	Year to 31 March 2023
Votable proposals	6,176
% of resolutions voted	100%
% of resolutions voted against management	3%
% of resolutions abstained	0%
iShares Edge MSCI USA Value Factor ETF (Bought in February 2023)	Year to 31 March 2023
Votable proposals	2,000
% of resolutions voted	99%
% of resolutions voted against management	2%
% of resolutions abstained	0%

BlackRock		Year to 31 March 2023
Factor Equities	Votable proposals	2,319
	% of resolutions voted	96%
	% of resolutions voted against management	4%
	% of resolutions abstained	1%

BlackRock		Year to 31 March 2023
Thematic Equities	Votable proposals	3,481
	% of resolutions voted	90%
	% of resolutions voted against management	5%
	% of resolutions abstained	1%

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	<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>

Bank Mandiri (BMRI) (Indonesian Bank)	<p>The Schroders investment team contacted BMRI to discuss the bank's approach to deforestation risk. This example is from Q4 2022. Schroders discussed the company's large exposure to palm oil within their lending book, which accounts for 11% of the loan book. BMRI responded that since it is the largest bank in Indonesia, it is difficult to not have lending exposure to palm oil. However, BMRI has adopted a No Deforestation Policy to address deforestation risk.</p>
	<p>This policy requires that all new palm oil related borrowers be ISPO and/ or RSPO certified, and BMRI encourages existing borrowers to become certified. As a result, there has been an overall increase in the trend of certification. In 2019, 60% of borrowers were certified, that has now increased to 93% of corporate borrowers and 87% of commercial borrowers in 2022. BMRI confirmed they have a target of 100% of borrowers being certified by 2025 or 2026. Schroders acknowledges BMRI's efforts to increase the certification percentage and continues to monitor the progress against their deforestation targets.</p>

As part of Schroders' ongoing engagement efforts with Grupo Mexico, the investment team engaged on ESG topics including the level of gender diversity on the board. This example is from Q4 2022. Grupo Mexico did not respond to Schroders' Q1 2022 survey on board gender diversity in emerging markets. The company has no female board members and Schroders has encouraged the company to consider gender balance since Schroders have been voting against companies in Latin America without female board representation.

Grupo Mexico is behind in most aspects of ESG but in recent years it has been making several improvements. Improvement in areas include:

Grupo Mexico
(Mexican mining, transportation, infrastructure company)

- ESG oversight
- Engagement with third party agencies
- Community relations and relations with the Mexican government
- Communications on ESG topics with some progress toward sustainability reporting

Grupo Mexico is at the start of their ESG journey, however Schroders are confident that with a gender balanced board structure, it will bring their journey to be in line with international best practice.

In addition, Schroders has continued to further their climate change campaign efforts and has written to multiple emerging market companies setting out their Net Zero expectations, asking them to decarbonise business models and set targets covering Scope 1, 2, and 3 emissions. Schroders asked companies to report their climate-related risks annually and report on how companies expect to manage the risks.

Banco de Chile SA
(Chilean bank and financial services company)

Banco de Chile is a Chilean bank and financial services company. At the March 2023 AGM, the re-election of 9 Board Directors was up for a vote. The current board composition doesn't meet best practices in terms of independence and gender diversity. Schroders engaged with the company to address these issues through a formal letter and a follow up meeting. To escalate their concerns, Schroders voted against the re-elections of the 9 Board Directors. Despite their votes, the Directors were re-elected. Schroders will continue to engage with the company on these issues.

	Year to 31 March 2023
Schroders EM Equities	
Votable proposals	1,931
% of resolutions voted	97%
% of resolutions voted against management	10%
% of resolutions abstained	6%

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.

Levi Strauss & Co (American fashion retailer)

Levi Strauss & Co. is an American textiles and apparel company well known for its Levi brand of jeans. At the April 2022 annual general meeting, Robert Eckert, Levi's chair, was up for a vote. Wellington decided to withhold support for Eckert because of his overcommitment. In addition to being chair of Levi's board and the chair of Levi's nomination and governance committee, Eckert also serves on McDonald's, Amgen, and Uber's boards. Eckert is additionally the compensation committee chair at both Amgen and Uber. This combination of roles equates to Eckert being overboarded, thus Wellington withheld support to signal concern for Eckert's overcommitment.

	Year to 31 March 2023
Wellington Small Cap Equities	
Votable proposals	1,407
% of resolutions voted	100%
% of resolutions voted against management	3%
% of resolutions abstained	0%

J P Morgan

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.

Approach

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.

Ping An Bank Co., Ltd Chinese commercial bank

Ping An Bank is a Chinese commercial bank offering services in retail and corporate banking. In November 2022, the re-election of four directors and an audit committee was up for a vote. JPM decided to withhold support for the four directors and audit committee because of their concerns about inadequate board and audit committee independence. While these resolutions were passed, JPM will continue to engage with the company on better corporate governance practices. JPM expects at least a majority independence for Ping An Bank's board, which fell from 38% to 33%, after the shareholder meeting.

	Year to 31 March 2023
JPM China Equities	
Votable proposals	974
% of resolutions voted	100%
% of resolutions voted against management	13%
% of resolutions abstained	1%

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 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.
Fermaca (Operator of gas infrastructure in Mexico)	<p>As Partners Group controls the Board, please see below the ESG efforts of a portfolio company.</p> <p>Fermaca has made progress across a number of ESG initiatives in 2022, which includes a methane emissions reduction initiative. Fermaca has reduced methane emissions by 4.7% and maintained 90% survival rate of 27,000 trees planted in 2020 as part of a reforestation effort.</p> <p>The company has also continued to excel in health and safety practices with no incidents in 2022. Fermaca has also implemented an environmental and social management system, which allows for full compliance with the Equator Principles and Performance Standards of International Finance Corporation.</p>

The Partners Fund	Year to 31 December 2022	
	Votable proposals	853
	% of resolutions voted	100%
	% of resolutions voted against management	4%
	% of resolutions abstained	2%

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 2023. 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	<p>Turkey: Main topic: Calls with the National Treasury focused on public debt management, budget preparation and execution and the Environmental, Social and Governance agenda.</p> <p>Outcome: The manager had a series of calls with different teams at the National Treasury focused on public debt management, budget preparation and execution and the Environmental, Social and Governance agenda, most recently in August 2022. The findings were as follows:</p> <ul style="list-style-type: none"> • Corruption: The Zondo commission report on state capture identified public procurement as the main area where irregularities have been most prevalent under the previous administration. It is challenging for the Budget Office to monitor these as they typically take place around funds that have already been committed during the budget process. The Budget Office is doing further work to quantify the impact of corruption on GDP. • Budget transparency: South Africa already demonstrates high standards on this issue as the National Treasury publishes revenue and spending numbers very transparently on the website. The Treasury plans to improve the fiscal register by the February 2023 budget to also list fiscal risks stemming from contingent liabilities related to state agencies. • Involvement of different groups: National Economic Development and Labour Council (NEDLAC) is a forum where different stakeholders can express their views. There are also public hearings at the parliament around the budget and appropriation bills. <p>For the next steps, the manager decided to have further discussions with the Expenditure Planning and Procurement teams to inquire further on the recommendations.</p>
Example 2	<p>Bahamas: Main topic: The importance of rule of law and robust anti-money laundering and countering terrorism practices and encouraging the government to take further action.</p> <p>Outcome: It was reported that the Bahamas could face impending inclusion on the European Union's non-cooperative jurisdiction list. Officials emphasised that the Bahamas is working assiduously to address the matters at hand and highlighted that the country was delisted from the Financial Action Task Force (FATF) Grey List in December 2020.</p> <p>The Bahamas is amongst an elite group of jurisdictions that hold a status of having "compliant or largely compliant" technical ratings in 38 of the 40 FATF Recommendations. The country has applied for re-ratings in the remaining two recommendations which would be discussed at the Caribbean Financial Action Task Force (CFATF) Plenary in November 2022. These two recommendations relate to better risk assessment and enforcement mechanism in the non-profit organisations and new technologies (e.g., virtual assets).</p> <p>The CTATF announced in December 2022 that the Bahamas has been designated as compliant in these two recommendations as well. This makes it only the second country in the Caribbean and Latin American region and the sixth country in the FATF Global Network to obtain "compliant and largely compliant" ratings in 40 FATF recommendations.</p> <p>The opinion of the manager is that the Bahamas's progress towards FATF recommendations will also improve its chances to avoid inclusion in the EU list.</p>

Manager	T. Rowe Price– Global High Yield
Example 1	<p>Cheniere Energy (Cheniere) Cheniere is the largest producer of liquefied natural gas (LNG) in the US. The manager engaged with the company for a discussion focused on climate strategy.</p> <p>The engagement focused on climate-related matters. Cheniere has made good progress on lowering its methane emissions — its methane intensity has fallen by two-thirds since 2016 and it already has one of the most efficient (and lowest greenhouse gas (GHG) intensity) fleets of LNG vessels globally. The company is working extensively to improve the reliability of emissions data both at its facilities and on its vessels as well as in its value chain as part of its quantify, monitor, report, verify program. Cheniere sees part of its role as providing solutions to its upstream value chain, e.g., providing the tools for exploration and production and midstream players to more reliably measure, monitor, and reduce their emissions.</p> <p>The manager asked the company about whether it had plans to set any GHG emission reduction targets or a net zero target. The company said that it would not set a long-term emission reduction or net zero target until it was confident it had a pathway to achieve it. However, as part of the Oil & Gas Methane Partnership 2.0 (an initiative launched by the United Nations Environment Programme or UNEP), Cheniere has committed to set a methane emission reduction target within the next three years.</p> <p>The manager provided feedback to the company on the importance of setting GHG emission reduction targets, particularly for companies in the energy sector. Additionally, the manager gave its views on best practices for articulating climate strategy and for setting GHG reduction targets – T. Rowe’s view is that the most credible climate strategies include short-, medium- and long-term term targets.</p> <p>In addition, the manager provided feedback on Cheniere’s ESG reporting, and in particular the climate scenario analysis report that it published in 2021 – this was a helpful report though could benefit from increased quantitative details. T. Rowe also highlighted that disclosure of scope 3 emissions is helpful for investors, particularly for companies in the oil and gas value chain where the scope 3 footprint can be very significant.</p>

Manager	Wellington Global High Yield
Example 1	<p>Royal Caribbean (RCL) Royal Caribbean operates a cruise company worldwide. In recent engagements with RCL, Wellington discussed the issuer’s trajectory improvement and continued focused on innovation. RCL is the only operator to pursue science-based targets for GHG emissions and a focus on achieving SBTi approval. RCL’s goal is to reduce GHG emissions intensity by 35% over the near-term and to become net zero by 2050. RCL has strong water stewardship, less robust waste goals, and plans to reduce single use plastics by ~60%. Notably, RCL is the only cruise operator to partner with the World Wildlife Fund (WWF) to help address the impacts the cruising industry has on biodiversity and marine life. Wellington view RCL’s \$17.75 minimum wage in US, mid-single digit % voluntary turnover (pre and post covid), and its 4.1 Glassdoor rating, constructively; highest NPS versus peers. Notably, the company promoted its former CFO to the CEO position in 2022, and the transition appeared seamless. Wellington plan to discuss compensation misalignment with the board, as well as excessive one-time awards. The manager views the company’s decision to add ESG metrics to its short-and long-term incentive plan in FY2022, positively. Going forward, Wellington expect RCL to benefit from the strong rebound in vacations and leisure travel, the company’s loyal customer base, solid market position, and stable liquidity profile.</p>
Example 2	<p>Cinemark (CNK) Wellington engaged with Cinemark (CNK) recently to receive an update on the company’s governance and human capital management policies. One of the key objectives of the engagement was to discuss Board independence and refreshment planning, given two affiliated directors are up for re-election. In addition, the manager sought more clarity on the company’s labour cost plans given rising wage pressure, as well as an update on their Diversity,</p>

	<p>Equity & Inclusion (DE&I) efforts. Several calls were conducted with CNK over the past year to receive periodic updates on strategic priorities. Based on the most recent engagement, Wellington believes the Board recognises the importance of transitioning to an independent Chair when founder and current Chair, Le Roy Mitchell, eventually retires. The manager also emphasised the importance of implementing a clear long-term refreshment plan for additional boards seats. Cinemark maintains strong engagement and retention which it attributes to a strong culture enhanced by site-level manager efforts to maintain team connections. While wage pressure is a reality, Cinemark sees its demographics and its other offerings (flexible hours, perks, benefits) as limiting exposure. Workforce management remains top of mind at the corporate and site-level. DE&I efforts also continue to develop with the hiring of a dedicated DE&I director. Wellington viewed the engagement as positive. CNK was receptive to our feedback on board refreshment planning, specifically assigning two longer-term board appointments in 2023 and undergoing a full long-term structure plan. The company also disclosed that they are making progress on their first published ESG report, which is expected to be finalized in mid-2023, and should include further information on topics like DE&I. Labor management continues to be proactive and comprehensive with CNK keeping focused on increasing efficiency and engagement. Wellington will continue to engage with the issuer on these topics to monitor their progress.</p>
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Manager	Payden & Rygel – Global Emerging Markets Bond Fund
Example 1	<p>UAE (Sharjah): The Emirate of Sharjah came to Eurobond markets to sell its first sustainability-linked bond, and the manager had an opportunity to engage with the issuer ahead of the deal being placed. The goal was to learn more about Sharjah's sustainability framework and priorities, as well as encourage greater transparency and reporting around progress and goals of the sustainability framework.</p> <p>When asked on use of proceeds, the delegation's answers were relatively narrow. They identified sustainable waste management, recycling, conservation of marine ecosystems, and possible affordable housing and education. While the environmental goals were not very specific, the emirate said that most of the environmental policy and regulation comes down to Sharjah from the federal/UAE level.</p> <p>The manager encouraged greater transparency on the use of proceeds and using KPIs to have clearer accountability on sustainability goals and progress.</p> <p>While Payden & Rygel did not ultimately participate in Sharjah's new issuance due to valuation, they noted how they would consider holding these bonds should the valuation adjust to more compelling levels.</p>