FRC Stewardship Code Submission

Royal Mail Pension Plan 31st March 2024

FRC Stewardship Code Submission – Royal Mail Pension Plan – 31 March 2024

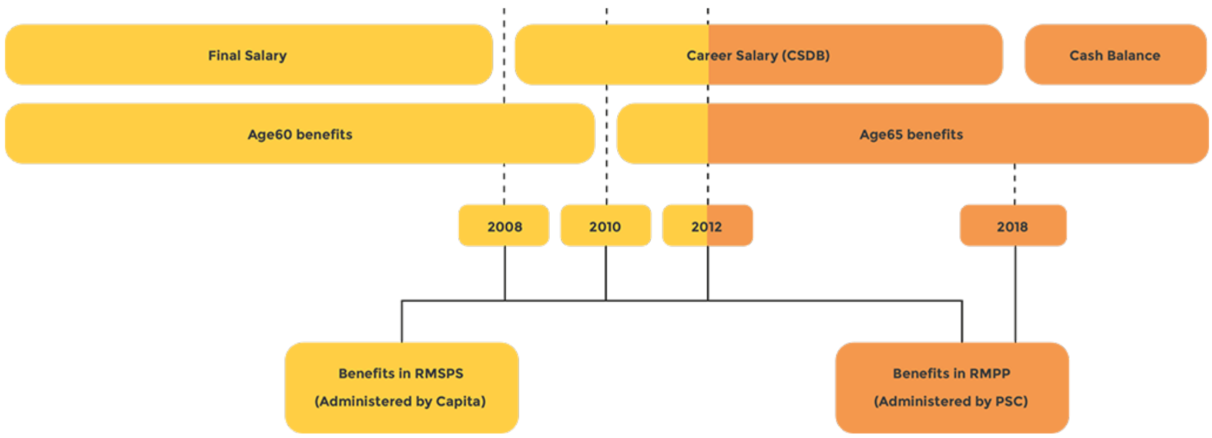
Principle 1 – Purpose, Strategy, Culture
Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Purpose

The Royal Mail Pension Plan looks after all the contributions and investments needed to pay the benefits that have been earned from 1 April 2012. The Plan has around 123,000 members and assets of £9.6bn. As further detailed at Principle 6, the Plan's membership profile is relatively young, which means that a long-term horizon, with sustainable returns integral to the Plan's overall strategy.

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

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



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

Strategy

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

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

This strategy is governed by the Plan's Statement of Investment Principles (SIP) which covers important areas such as Risk, Diversification, Asset Allocation, Selection and Appointment of Investment Managers and Responsible Investment amongst others.
During the year to 31 March 2024 the Trustee updated the SIP, and this was agreed by the Trustee on 12 April 2024. It was however the policies contained in the previous SIP, September 2022, which are relevant to this Statement and can be accessed at:
Royal Mail Section SIP:
https://www.royalmailpensionplan.co.uk/wp-content/uploads/2023/03/2022-Statement-of-Investment-Principles-RMG-Section_FINAL_September-2022.pdf

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

- Be Positive
- Be Brilliant
- Be Part of It

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

Ongoing training has an important role in informing Trustee engagement over the areas covered in the SIP. Over the reporting period there were 11 Board meetings and ongoing Trustee training on topics including net zero feasibility.

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

This belief has been codified by the Trustees in a Responsible Investment Mission Statement. The statement was updated during the reporting year and states:

- We recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that may increasingly require explicit consideration;
- We commit to be an engaged and responsible long-term investor in the assets and markets in which we invest;
- We believe that the integration of financially material environmental (including climate change), social and governance ("ESG") factors within our investment process is not detrimental to the Plan's investment risk, Responsible investment does not need to require sacrificing returns. It can, in fact, enhance risk and return

characteristics and assist risk management in the sustainable long term expected returns from the Plan's investments. ;

- We aim to continually enhance and develop our approach, in line with our ESG 'roadmap' to ensure the Plan is relatively advanced in its ESG and Climate development;
- We will work closely with the BlackRock Outsourced Chief Investment Office (and other advisers) to ensure ESG factors are integral to investment decisions;
- We work closely with the Plan sponsor on ESG issues including communicating the Plan's Net Zero commitment and to manage any key ESG risks identified in the covenant risk review;
- We will monitor and review ESG risks (including climate) regularly and where appropriate take actions identified as part of that monitoring and review to mitigate those risks;
- We appointed a Trustee Board ESG 'Champion' to develop the Trustee's ESG and climate awareness and to enable Trustee engagement in the Plan's ESG/Climate progress;
- We aim to appoint and retain managers whose beliefs and practices are consistent with our beliefs on ESG risks and opportunities (where relevant to their mandate) and we encourage best stewardship practice from our investment managers.
- We will actively engage with our investment managers regarding the portfolios' carbon emissions with a view to achieving the Plan's emission reduction targets;
- We will communicate ESG and Climate developments to the membership at least annually;
- As part of our commitment to Responsible Investment, the Plan is a signatory to the United Nations-backed Principles for Responsible Investment and to the UK Stewardship Code; and
- The Plan is a signatory to Climate initiatives such as Climate Action 100+ and the Transition Pathway Initiative (TPI).

Through the reporting period the culture of Stewardship and continual improvement was most clearly demonstrated by the updating of the Mission statement. This review of the Mission Statement was an action from the ESG roadmap which sets out actions the Trustee can take to strengthen its approach to ESG over the short, medium and longer term.

Over the reporting period the Trustee has:

- Updated and reviewed the ESG roadmap action tracker outlining and tracking actions to support the Trustee to achieve its ESG ambitions, across the short, medium and longer term. The roadmap sets out a number of actions across Governance, Investment Strategy, Risk Management, Engagement, and Reporting and Transparency to be undertaken over varying time periods;
- Has had quarterly ESG and Climate Steering Group meetings to track and update the ESG roadmap;
- Continued and expanded the Carbon Measurement project with ICE. The results of the project are laid out in the Plan's publicly available TCFD reporting;
- Continued with the appointment of Sustainalytics to engage across all the Plan's equity and corporate bond holdings on ESG issues where required and to make recommendations.
- Continued engagement with Climate Action 100+, a body that engages with one hundred plus companies to take action to reduce their carbon intensity and to align themselves with the TCFD recommendations to substantially reduce greenhouse gases; and

- Continues to explore the merits of joining other climate related initiatives and is working with the Employer to help ensure that Royal Mail as a company is properly aligned with compliance and reporting on TCFD

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

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

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

	Actuarial valuation 31 March 2018 £m	Annual funding update 31 March 2019 £m	Annual funding update 31 March 2020 £m	Actuarial valuation 31 March 2021 £m	Annual funding update 31 March 2022 £m	Annual funding update 31 March 2023 £m
RMG Section						
Assets	9,986	10,464	11,183	11,181	11,394	7,611
Liabilities	9,854	10,411	10,664	10,520	10,244	6,550
Surplus	132	53	519	661	1,150	1,061
DBCBS						
Assets	n/a	396	735	1,181	1,543	1,653
Liabilities	n/a	386	717	1,151	1,503	1,609
Surplus	n/a	10	18	30	40	44
POL Section						
Assets	438	455	n/a	507	487	327
Liabilities	414	427	n/a	481	456	301
Surplus	24	28	n/a	26	31	26

Principle 2 – Governance, Resources and Incentives

Signatories' governance, resources and incentives support stewardship.

Governance

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

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

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

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

Sub-Committees:

- Administration (4)
- Audit, Risk & Finance (3)
- Investment & Funding (4)

Working Groups:

- Implementation Working Group (4)

Additionally, the following Sub- Committees conduct business by correspondence and by meeting as required:

- Internal Disputes Resolution (8)
- Discretions (2)
- Emergency events (2)

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

The Trustee Executive is a diverse group that provide a link between the Trustee Board and its external advisers. It is formed of a 16-strong team of expert individuals whose skills cover:

- Finance
- Accounting
- Management
- Alternative and Non-Alternative Investments
- Communication
- Risk Management
- Actuarial
- Legal and Compliance
- Operations

The role of Trustee Executive is to:

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

The Trustee Executive team is led by:

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

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

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

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

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

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

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

Fiscal year / week	01.2018	01.2023	01.2024
Ethnic Origin	Snapshot Headcount	Snapshot Headcount	Snapshot Headcount
Ethnically Diverse	10%	25%	23%
White	70%	42%	46%
Unknown	20%	33%	31%

Fiscal year / week	01.2018	01.2023	01.2024
Gender	Snapshot Headcount	Snapshot Headcount	Snapshot Headcount
Female	30%	50%	54%
Male	70%	50%	46%

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

Resources

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

- Trustees – The Trustee sets the stewardship goals.
- The Trustee Executive – implements the stewardship decisions of the Trustee and guides the collaborations with other investors including UNPRI and Climate Action 100+.
- BlackRock OCIO - In February 2023, BlackRock was appointed as the Plan's outsourced CIO (OCIO) provider. Through the arrangement, the Plan enjoys access to BlackRock's Investment Stewardship Team, with over 50 people across 8 offices globally. Also, the BlackRock Manager Research process incorporates ESG into their rating of managers and the associated ESG and Climate reporting which is provided to the Trustee on an ongoing basis.
- Advisors – The Plan employs specialist advisors to help with stewardship activities, including:
    - Sustainalytics – responsible engagement overlay manager
    - ICE (formerly Urgentem) –help measure the carbon footprint of the Plan's investment portfolio
- Investment Managers – who are required to manage assets on the Plan's behalf in a manner that is consistent with the Plan's stated ESG and Stewardship beliefs.

Over the last year, further work was undertaken in Stewardship, ESG and reporting, with specific work carried out, with the help of advisors, in:

- actioning and updating the Plan's ESG roadmap of actions for the months, and years to come.
- measuring the Plan's carbon footprint, absolute emissions, and emissions trajectory, and;
- Leveraging the resources of BlackRock OCIO to enhance and improve Stewardship activities.

Incentives

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

Principle 3 – Conflicts of Interest

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

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

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

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

Trustee Directors are required to make declarations of conflicts of interest at the start of Trustee Board and Sub-Committee meetings. No conflicts of interest were declared by any of the trustees for the reporting period but here are two examples from recent years:

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

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

Principle 4 – Promoting Well-Functioning Markets

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Identifying and Addressing

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

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

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

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

Case Study

BlackRock are appointed as the Plan's OCIO provider and as such the Plan benefits from their approach to promoting well-functioning markets, through its breadth and platform, which includes:

1. **Proprietary Technology and Analytical Tools**: BlackRock leverages advanced technology to provide deep market insights and competitive pricing. This includes trade analysis tools that enhance decision-making and risk management capabilities
2. **Fully-Integrated Trading Platform**: The platform integrates order management systems and execution management systems, facilitating a seamless trade workflow. This integration is crucial for managing multi-asset global trading and enhancing portfolio management by improving information flow.
3. **Risk Analytics**: BlackRock's platform includes comprehensive risk analytics that help in understanding and mitigating potential risks associated with trading activities. This is essential for maintaining the integrity of the markets and ensuring client trust.
4. **Connectivity to Liquidity**: The platform provides aggregated inventory/pricing and connects to liquidity sources, which is vital for executing trades efficiently and at the best possible prices
5. **Global Reach**: BlackRock's trading platform is designed to operate on a global scale, accommodating various market conditions and regulatory environments. This global presence supports the promotion of well-functioning markets worldwide
6. **Commitment to Innovation**: BlackRock's continuous investment in its trading platform demonstrates a commitment to innovation, ensuring that the platform remains state-of-the-art and capable of adapting to the evolving needs of the markets
7. **Collaboration and Partnerships**: BlackRock collaborates with industry leaders like FlexTrade to integrate with the Aladdin platform, offering clients a comprehensive multi-asset solution

Climate Risk

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

The Trustee has announced a plan to be net zero by 2050. In March 2022 the Trustee agreed an interim target of a 50% reduction in GHG emissions for corporate bonds and equities across all scopes (1 to 3) relative to a 2015 baseline by 2030. The risk rating mentioned in last year's report remains on Green, albeit a review will take place in light of the results of this year's TCFD report which indicates the projected pathway of the Plan's emissions.

In the last couple of TCFD reports, the Trustee calls on the industry to improve the measurement of emissions as relates to absolute return funds and hedge funds, asking for consistency of reporting methodology in these types of strategies. The Trustee also highlights the need for progress to be made in the markets for carbon credits, offsets, and allowances to bring them up to an institutional level in terms of both reporting and pricing.

Policy Collaboration

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

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

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

Principle 5 – Review and Assurance

Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

RMPP's Key Policies and Procedures appear in the annual report (https://www.royalmailpensionplan.co.uk/wp-content/uploads/2024/02/Royal-Mail-Pension-Plan-Report-and-Financial-Statements-31.03.2023.pdf), including the date each was last reviewed.

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

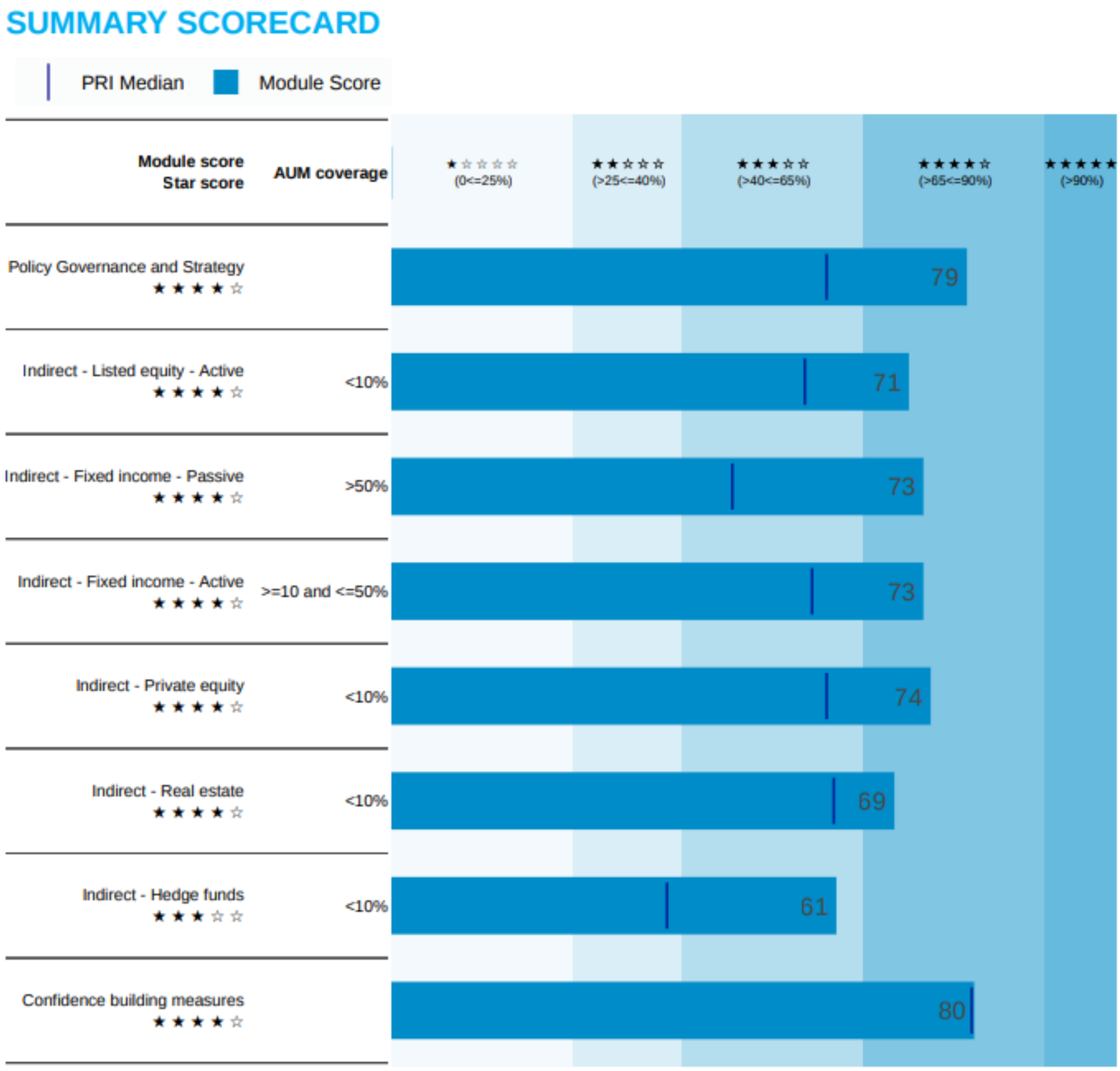
The Plan's Stewardship goals are fundamentally embodied in the Statement of Investment Principles, which was last reviewed and updated April 2024.

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

The Trustee has reviewed and updated the Plan's Responsible Investment Mission Statement over the reporting period and the new statement is dated September 2023.

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

As signatories to the UNPRI, the Plan benefits from a periodic assessment of the Plan's ESG and Stewardship as it relates to the UNPRI principles. The most recent review provided was for 2023, showing the plan scored 4 stars in all categories apart from hedge funds, and was also above the median score in all categories. This was under the new UNPRI reporting framework from 2023.



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

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

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

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

The Plan has roughly 123,000 members split between Employee members, Pensioner members and Deferred members.

There are a lot more members paying into the RMPP and building up benefits, 'Employee members', than there are taking out a regular pension, 'Pensioner members'. There are also members that don't pay in anymore but aren't yet taking their pension, 'Deferred members'. The member profile is different across the Sections of the Plan also. The table below shows the current split of members for each Section at 31 March 2023 and 31 March 2024:

RMG Section	**2024**	**2023**
Active Members		
Employee members	41,464	47,926
Dual Status - active members with part benefits in payment	12,635	12,722
Total Active members	**54,099**	**60,648**
Deferred Members		
Deferred members	15,738	14,615
Dual Status - deferred members with part benefits in payme	3,541	2,995
Total Deferred members	**19,279**	**17,610**
Pensioner members		
Pensioner members	38,946	34,562
Total Pensioner members (excluding dual status)	**38,946**	**34,562**
Total Membership – RMG Section	**112,324**	**113,295**

POL Section		
Active Members		
Employee members	783	861
Dual Status - active members with part benefits in payment	199	196
Total Active members	**982**	**1,057**
Deferred Members		
Deferred members	1,613	1,830
Dual Status - deferred members with part benefits in payme	353	334
Total Deferred members	**1,966**	**2,164**
Pensioner members		
Pensioner members	2,549	2,287
Total Pensioner members (excluding dual status)	**2,549**	**2,287**
Total Membership – POL Section	**5,497**	**5,508**

DBCB Section

Active Members		
Employee members	4,783	4,830
Dual Status - active members with part benefits in payment	-	-
Total Active members	**4,783**	**4,830**
Deferred Members		
Deferred members	762	432
Dual Status - deferred members with part benefits in payme	-	-
Total Deferred members	**762**	**432**
Pensioner members		
Pensioner members	-	-
Total Pensioner members (excluding dual status)	**-**	**-**
Total Membership – DBCB Section	**5,545**	**5,262**

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

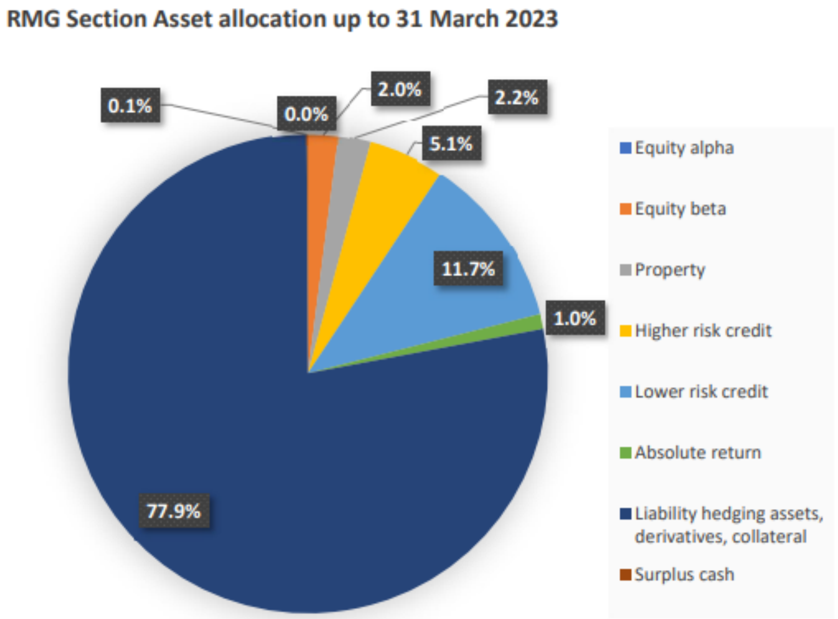
The RMPP is financially secure, with £9.6 billion invested at 31 March 2023. These assets are there to make sure every member gets their pension when it's time for them to retire. It's also there to support their loved ones after they die. It's the Trustee's duty to make sure the money held in the RMPP is invested in the best way possible. That means making sure that the money is both secure and able to grow, taking appropriate account of both risks and returns.

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

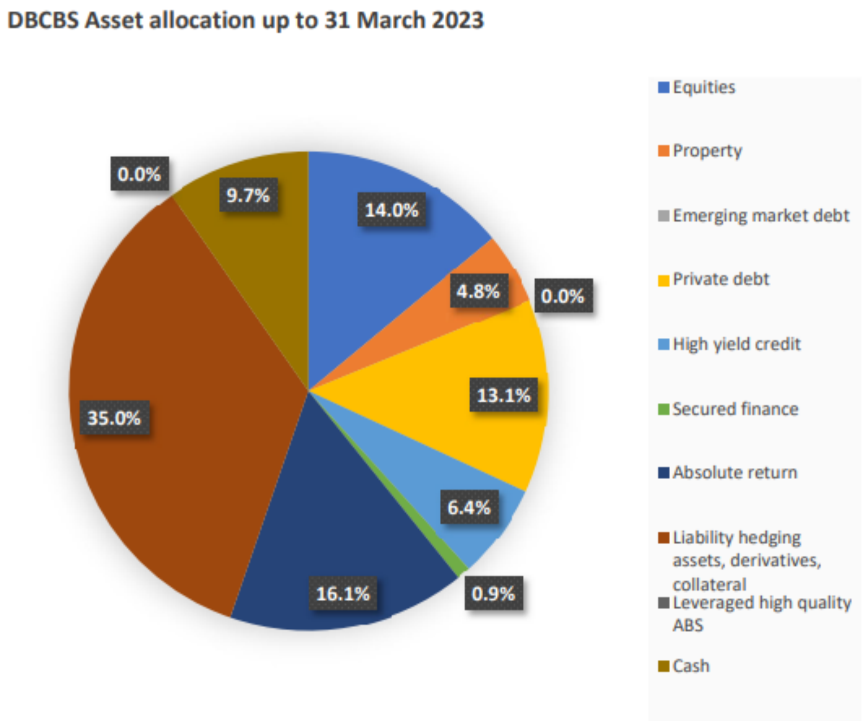
The investment strategy of the Plan aims to safeguard the assets and to provide, together with contributions, the financial resource from which benefits are paid. Investing assets inevitably exposes the Plan to risks. These risks can be broadly classified as those inherent in the safe custody and record-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

The asset class breakdown for each of the Sections in the Plan is shown below. Overall, 65% of the Plan's assets are invested in Liability Hedging assets and 35% are invested in Return

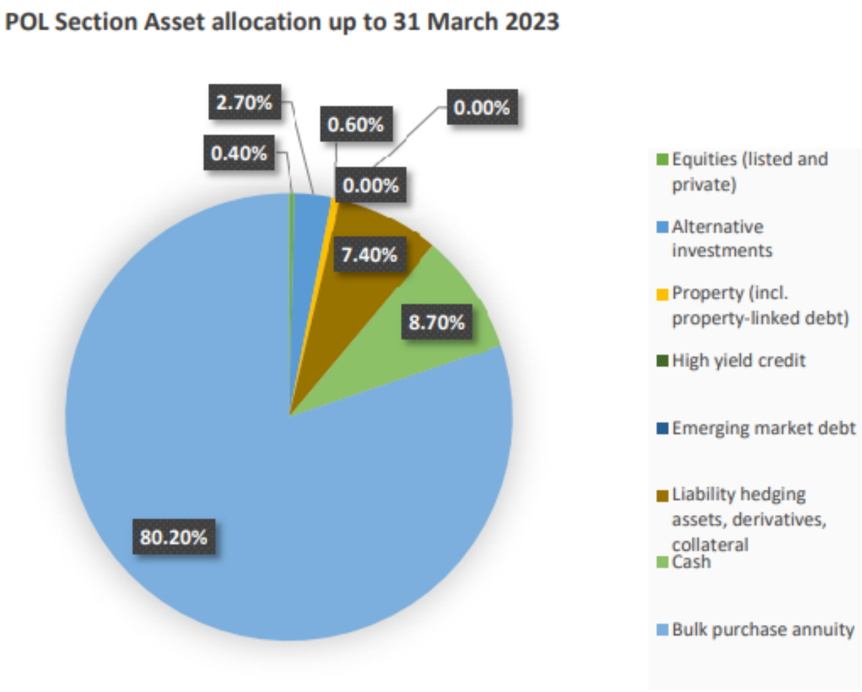
Seeking assets as the Trustee is prioritising security over higher risk and reward. Please note that Liability Hedging assets include UK government bonds ('gilts'), derivatives (predominantly swaps and options) and repurchase agreements (Repo):



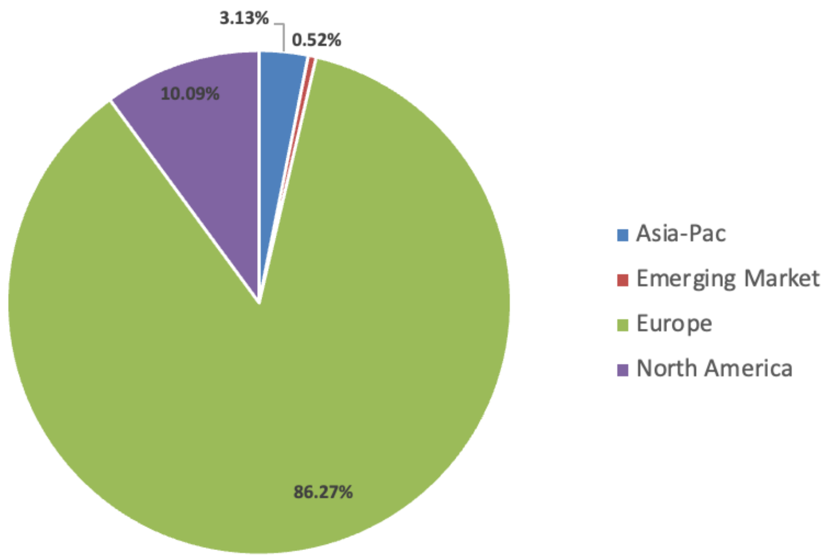
Swaps (inc TRS) 3.3% **Repo 6.5%** i.e. the absolute value of the derivatives' underlying amounts as a percentage of the total asset value of the RMG Section



Swaps (inc TRS) 26.7% **Repo 10.2%** i.e. the absolute value of the derivatives' underlying amounts as a percentage of the total asset value of the DBCBS



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



Communication

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

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

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

Sometimes referred to as the 'Popular Report & Accounts'. The most recent Trustee Report included an on the Climate Change and Net Zero Targets of the Plan and can be found at www.royalmailpensionplan.co.uk/wp-content/uploads/2024/02/Royal-Mail-Popular-Report-2023.pdf

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

Feedback

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

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

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

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

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

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

Principle 7 – Stewardship, Investment and ESG Integration

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

The Royal Mail Pension Plan takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship Code, and explicitly asks existing and prospective managers whether they do as well. Currently 12 of the Plan's external managers representing 85% of the Plan's assets have signed up for to the FRC Stewardship Code, as well as seven of our other service providers and the Plan's OCIO provider.

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

When selecting investment managers, the manager's SRI, ESG, and stewardship policies are explicitly considered and included in the broader criteria of selection. For example, the RFP process that resulted in BlackRock being appointed as OCIO for the Plan had a weighting of 15% assigned to ESG criteria, as high a weighting as any other single criteria in the process. That decision has enabled the Trustee to benefit from the following integration of ESG Factors when reviewing the investment strategy for the Plan and portfolio construction process.

1. **Strategic Asset Allocation ("SAA").** BlackRock believes climate risk is an investment risk. Therefore BlackRock have **optimized to account for climate risk** and the climate transition. As a result, return assumptions, and consequently the SAA process accounts for the cost to the global economy for transitioning to a low carbon economy. This means the building blocks of our strategic asset allocation reflect the impact of climate change on the investing landscape.
2. **Manager Research.** As part of their initial and ongoing due diligence, BlackRock's Manager Research team ("BMR") assess the ESG integration of all active managers within the Plan's portfolios – incorporating detailed reviews of manager resource, investment process, stewardship policies and firm-wide ESG efforts. The assessment of ESG integration factors into each manager's overall rating. BMR's broad approach to ESG assessment is consistent across public and private markets, although there may be nuances across these asset classes (e.g. the assessment of proxy voting history and policies is most relevant to public equity managers). When integrating wider ESG issues, BMR's qualitative assessment of a manager's policies and resources is combined with quantitative ESG analysis of underlying companies or assets held by managers. On an ongoing basis, researchers monitor and review managers' ESG integration practices and outcomes and actively engage with managers on these topics as part of the quarterly review process. This research includes wider ESG factors, such as team diversity as well as the managers policy towards labour or sustainability practices for example.
3. **Reporting & Data.** BlackRock provide a detailed look-through on the ESG characteristics in the Plan's portfolio, providing transparency on metrics at the portfolio level via Aladdin Climate. This technology, which is used in reporting to the Trustee, allows portfolio and risk managers to see climate-adjusted analytics as they make decisions. Aladdin Climate supports clients in mitigating climate risks and making the right investment decisions and allows insight to translate climate risk into investment risk,

and therefore take advantage of opportunities that come with the transition to a net-zero.

4. **Sustainable products.** BlackRock offers a range of sustainable products. For example, the Trustee has allocated to the Liquid Environmentally Aware Fund ("LEAF"), the cash fund used alongside the Plan's LDI portfolios. LEAF is an ESG cash fund that invests in a range of money market instruments whose issuer/guarantor has above average performance in environmental practice. 5% of the revenue from LEAF management fees is committed to purchase and retire carbon offsets.
5. **Engage (and vote)**. It is our belief that companies with sound corporate governance practices, including how they manage the environmental and social risks and opportunities within their business operations, can better mitigate risk over the long-term, and thus offer the potential for better risk-adjusted returns. Engagement and voting will be crucial for the Social and Governance pillars that form ESG**.** BlackRock's resources in investment stewardship are detailed further below.

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

Supporting this work, BlackRock as OCIO, has the largest investment stewardship team in the industry. The 65+ Investment stewardship team voted in over 171,000 proposals on topics such as governance, business practices and long-term financial sustainability. Their approach to voting and engagement is as follows.

Approach to Voting: Proxy voting at BlackRock is centralised within the Investment Stewardship team with over 65 specialists voting annually at more than 18,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote. Their analysis is informed by internally developed proxy voting guidelines, pre-vote engagements, research, and the situational factors at a particular company. BlackRock also publish all of their voting which can be found here and summarise all engagements in a quarterly report as well as all voting in their annual report.

Approach to Engagement: As long-term client representatives, BlackRock continuously engage with management and directors to ensure governance and business practices support sustainable financial growth and to evaluate their handling of key issues. Such engagement allows BlackRock to understand and share insights on their alignment with long-term financial value. Support for the Trustee is provided with a long-term outlook, helping companies manage governance and risks, which enhances financial value when well-handled. BlackRock's role is to comprehend how leadership manages risks and seizes opportunities to protect and boost investor interests, without dictating company actions.

A word on progress against BlackRock's priorities: In 2023, BlackRock's Stewardship team voted at 18,000+ shareholder meetings on more than 170,000 management and shareholder proposals in 69 voting markets. As in past years, most of the proposals voted on addressed routine matters, such as director elections, board-related items, and executive compensation. BlackRock supported management on approximately 88% of the more than 170,000 proposals voted in 2023. Globally, they saw a record number of shareholder proposals addressing issues such as climate and natural capital (environmental), as well as company impacts on people (social) – including their human capital and the communities in which they operate – submitted to a vote in 2023. The increase was largely driven by shareholder activity in the U.S.

Total engagements[4]	Priority
2,562	Strategy, purpose, and financial resilience
2,205	Board quality and effectiveness
1,495	Incentives aligned with financial value creation
1,402	Climate and natural capital
1,353	Company impacts on people

The Plan, historically directly, and now via BlackRock OCIO, schedules ESG (including climate risk) monitoring meetings with managers across all asset classes including Liability Driven Investment (LDI) managers (that make up c.65% of the whole Plan's investment portfolio) to engage on their development of ESG and climate risk integration in their investment process and to ensure that they are prepared for complying with the reporting required by Task-Force for Climate-Related Financial Disclosures (TCFD).

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

- Updated and reviewed the ESG roadmap action tracker outlining and tracking actions to support the Trustee to achieve its ESG ambitions, across the short, medium and longer term. The roadmap sets out a number of actions across Governance, Investment Strategy, Risk Management, Engagement, and Reporting and Transparency to be undertaken over varying time periods;
- Has had quarterly ESG and Climate Steering Group meetings to track and update the ESG roadmap;
- Continued and expanded the Carbon Measurement project with ICE. The results of the project are laid out in the Plan's publicly available TCFD reporting;
- Continued with the appointment of Sustainalytics to engage across all the Plan's equity and corporate bond holdings on ESG issues where required and to make recommendations;
- Continued engagement with Climate Action 100+, a body that engages with one hundred plus companies to take action to reduce their carbon intensity and to align themselves with the TCFD recommendations to substantially reduce greenhouse gases; and
- Continues to explore the merits of joining other climate related initiatives and is working with the Employer to help ensure that Royal Mail as a company is properly aligned with compliance and reporting on TCFD.

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

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

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

- **Loomis** – A corporate bond manager for the Plan, Loomis is actively engaging with companies on a wide range of matters related to safety in the workplace, but also labour practices and emissions targets.
- **Abrdn** – A corporate bond manager for the Plan, Abrdn is actively engaging with companies in the portfolio across a range of ESG issues from the issuing of "green bonds" to remuneration and gender diversity.
- **BlackRock** – the LDI manager have made a number of climate and ESG related initiatives in the portfolio, including ratings on swap counterparts, and engaging with the UK government and Debt Management Office directly on green bonds and how those proceeds are directed.

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

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

Both monitoring and holding to account the Plan's asset managers is fundamental to the Plan's implementation of its Stewardship responsibilities. Up to this year, the Plan conducted regular quarterly reviews with all managers that cover many topics including performance, personnel and corporate changes, portfolio risk, concentration, voting, and market outlook, as well as ESG and stewardship updates. With the appointment of BlackRock OCIO, this year these reviews were supplemented by BlackRock's own ESG rating which was also reported to the Trustee.

This year, the Plan completed a ESG RAG rating review for all the non-alternatives managers, with an update for the alternatives managers planned for next year.

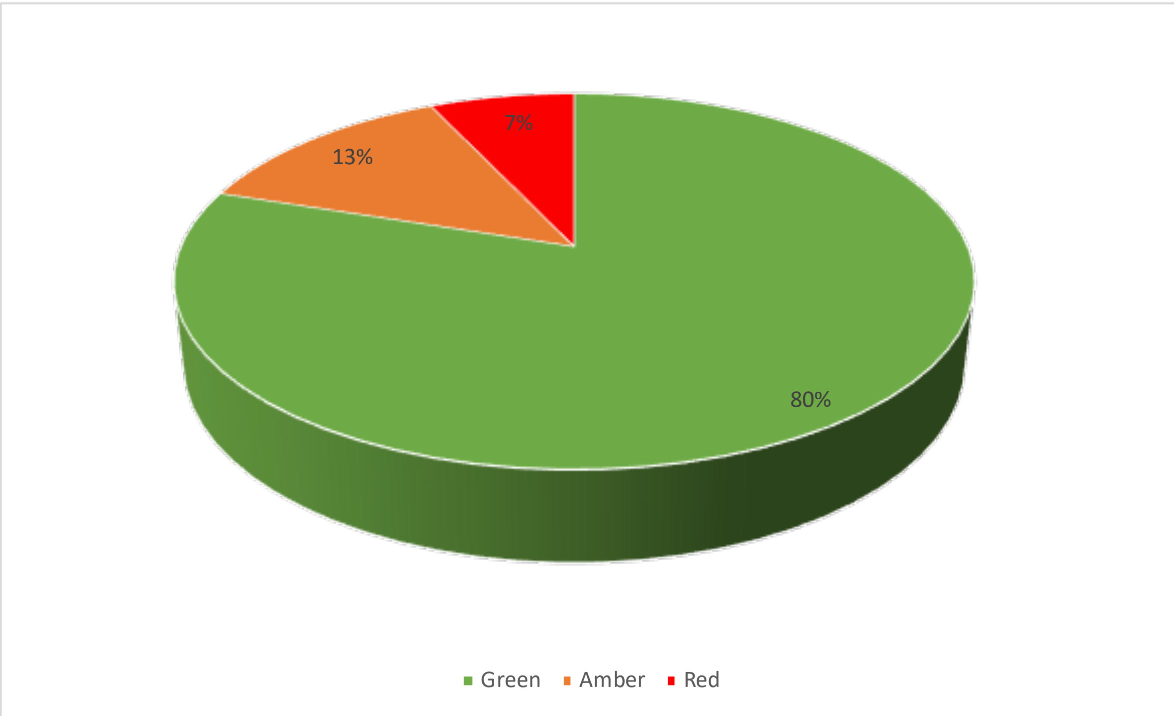
Non-Alternatives managers are generally more advanced in their ESG/Climate risk and opportunities capabilities than the alternatives managers. The criteria for non alternatives managers is that RED signifies some material gaps in their ESG policy (rather than no ESG policy as for alternatives managers).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

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

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

Out of the 15 non alternative managers rated, 12 are currently considered GREEN, 2 are on AMBER and 1 on RED.

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



The only RED manager was Spouting Rock. The manager has now been terminated as part of these ESG concerns and also development in the strategy offered to the Trustee.

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

As mentioned above, this year the ESG review was supplemented this year by BlackRock's own ESG review. The review was conducted across both ESG factors, as well as carbon emissions. The table below explains the methodology and assumptions employed:

	Metric	Methodology	Interpretation
ESG	**ESG Score (Adjusted)**	Best scoring company within a peer group is be given a score of 10, the worst scoring one will be given a score of 0 and a normal distribution will be applied for the ones in between.	Indicates how well an issuer manages its most material ESG risks relative to sector peers (0 worst, 10 best). Makes company scores across different industries comparable.
	Environment Score	Weighted average of key issue scores falling under the Environmental Pillar.	Indicates how well an issuer manages environmental risks such as greenhouse gas emissions, deforestation etc. relative to sector peers. (0 worst, 10 best).
	Social Score	Weighted average of key issue scores falling under the Social Pillar.	Indicates how well an issuer deals with social issues such as working conditions, employee relations & diversity etc. relative to sector peers. (0 worst, 10 best).
	Governance Score	Weighted average of key issue scores falling under the Governance Pillar.	Indicates how well an issuer deals with governance matters such as executive pay, tax strategy etc. relative to sector peers. (0 worst, 10 best).
Carbon	**Emissions Financed (metric tonnes / $ million total capital)**	$\sum\left(\frac{\text{Scope 1 \& 2 GHG Emissions}}{\text{Total Capital}}\right)$	Emissions normalized by total capital (total debt + total equity). With every million dollar invested x metric tons of emissions are financed.
	Emissions Intensity (metric tonnes / $ million sales)	$\sum\left(\frac{\text{Scope 1 \& 2 GHG Emissions}}{\text{Total Sales}}\right)$	Emissions normalized by total sale. With every million dollar revenue x metric tons of emissions are financed.

ESG data for funds and individual securities has been sourced from MSCI. Aggregation at the sleeve/ total portfolio level has been done using BlackRock approved methodology.

Additional Information can be found in the Glossary slides.

Legend for Relative Coloring Scheme

Lowest ESG Score — Highest ESG Score

The analysis was conducted separately by Section, with the results for each summarised below:
RMG Section

	ESG					Carbon
	ESG Coverage	ESG Adjusted Score	Environmental Score	Social Pillar Score	Governance Score	Emissions Intensity - Latest (metric tonnes / $ million total sales)
Total Liquid Asset Portfolio	89.6%	6.3	5.9	6.7	6.9	26.9
Equity	0.0%	-	-	-	-	-
Fixed Income	89.6%	6.3	5.9	6.7	6.9	26.9

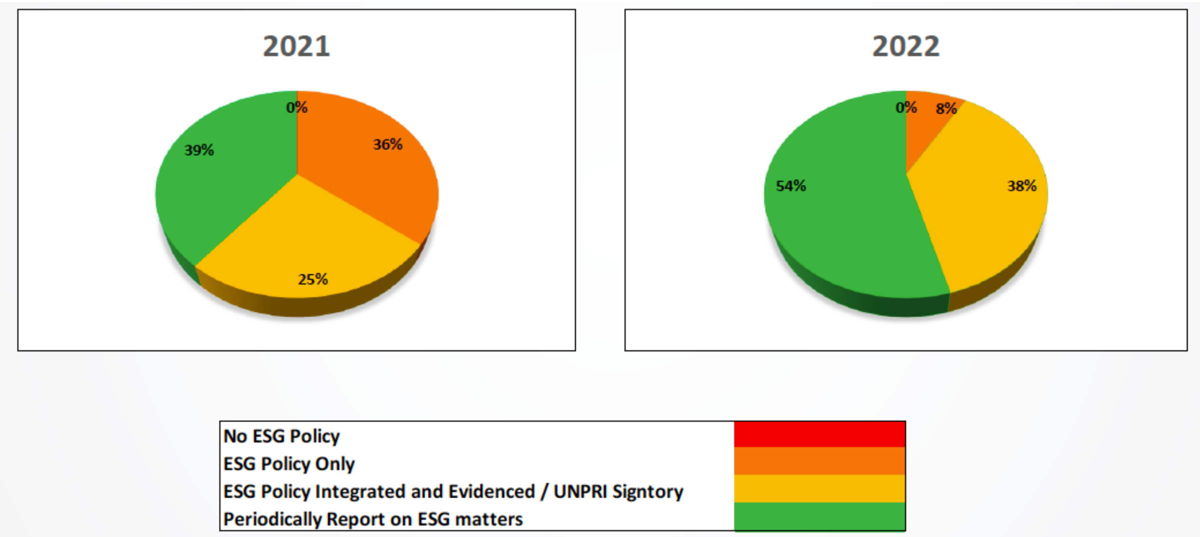
DBCB Section

	ESG					Carbon
	ESG Coverage	ESG Adjusted Score	Environmental Score	Social Pillar Score	Governance Score	Emissions Intensity - Latest (metric tonnes / $ million total sales)
Total Liquid Asset Portfolio	61.0%	5.7	5.5	4.9	5.5	24.3
Equity	95.9%	6.9	6.3	5.3	5.9	176.3
Fixed Income	58.6%	5.6	5.5	4.8	5.4	13.9

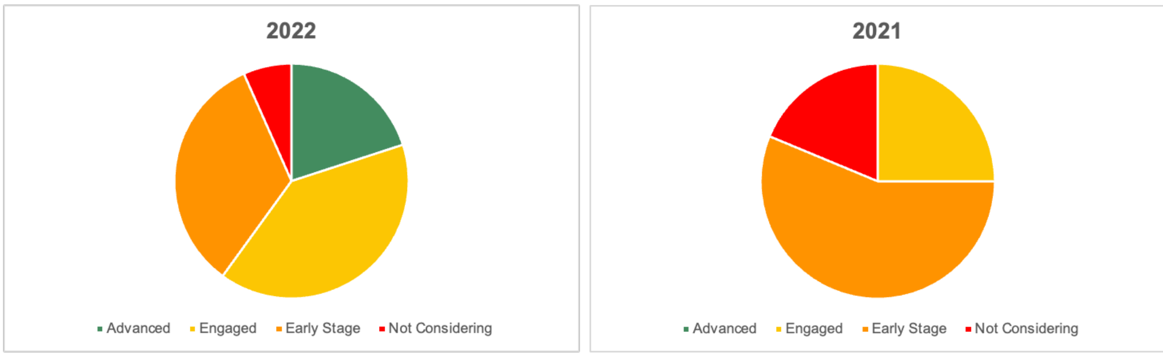
For the alternatives managers, the ESG ranking was not updated in this reporting year, but will be updated in the coming months. Last year, five key criteria were considered:

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

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



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



1.

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

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

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

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

The Plan views this work as an evolving process and believes ESG reviews should include consultants and other advisors. This remains an area of focus and development for the Plan going forward but it was confirmed that the two main advisors to the Trustees are signatories to the FRC Stewardship Code, UN PRI, and the Transition Pathway Initiative.

Principle 9 - Engagement
Signatories engage with issuers to maintain or enhance the value of assets.

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

In addition to engagement and voting by the Plan's equity asset managers (see Principle 12), the Trustees continue to utilise Sustainalytics to engage with all the Plan's equity and Corporate Bond holdings directly on ESG issues where required and to make recommendations. An engagement report from Sustainalytics is received and reviewed quarterly, and an annual report is produced to illustrate the scope and success of engagement over the year.

Sustainalytics Global Standards Engagement_GSE Reporting_Royal Mail	1 Apr 2023 - 31 Mar 2024
Number of contacts on ESG issues with companies	**Number of activities**
Total number of contacts	317
Content-related communications	73
Total number of meetings	26
Meetings in person	1
Conference calls	25
Other Activities	0

	Sustainalytics Global Standards Engagement_GSE Reporting_Royal Mail	As of 31 Mar 2024		1 Apr 2023 - 31 Mar 2024	
	Engagement status: **Engage**	**Cases**	**Companies**	**Cases**	**Companies**
	Engage (Ongoing at March 31, 2024)	16	16	1	1
	Annual Total Engage	17	17	N/A	N/A
	Engage with medium and high development	15	15	1	1
NORM AREA	Business Ethics	7	7	1	1
NORM AREA	Environment	0	0	0	0
NORM AREA	Human Rights	9	9	0	0
NORM AREA	Labour Rights	0	0	0	0
ESG	Environment	0	0	0	0
ESG	Social (Human Rights & Labour Rights above)	9	9	0	0
ESG	Governance	7	7	1	1
	Closed			**Cases**	**Companies**
	Total closed			1	1
	Resolved			1	1
	Archived			0	0
	Impact			**Steps**	**Companies**
	Total impact related milestones achieved			7	7
MILESTONES	Milestone 1			2	2
MILESTONES	Milestone 2			2	2
MILESTONES	Milestone 3			2	2
MILESTONES	Milestone 4			0	0
MILESTONES	Milestone 5			1	1

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

Sustainalytics Material Risk Engagement_Royal Mail	1 Apr 2023 - 31 Mar 2024
Number of contacts on ESG issues with companies	**Number of activities**
Total number of contacts	87
Content-related communications	35
Total number of meetings	13
Meetings in person	0
Conference calls	13
Other Activities	1

Sustainalytics Material Risk Engagement_Royal Mail	As of 31 Mar 2024		1 Apr 2023 - 31 Mar 2024	
Engage	**Cases**	**Companies**	**Cases**	**Companies**
Engage (Ongoing on March 31, 2024)	11	11	2	2
Annual Total Engage	13	13	N/A	N/A
Closed			**Cases**	**Companies**
Total closed			2	2
Resolved			1	1
Archived			1	1
Achievements			**Steps**	**Companies**
Positive developments achieved			18	9

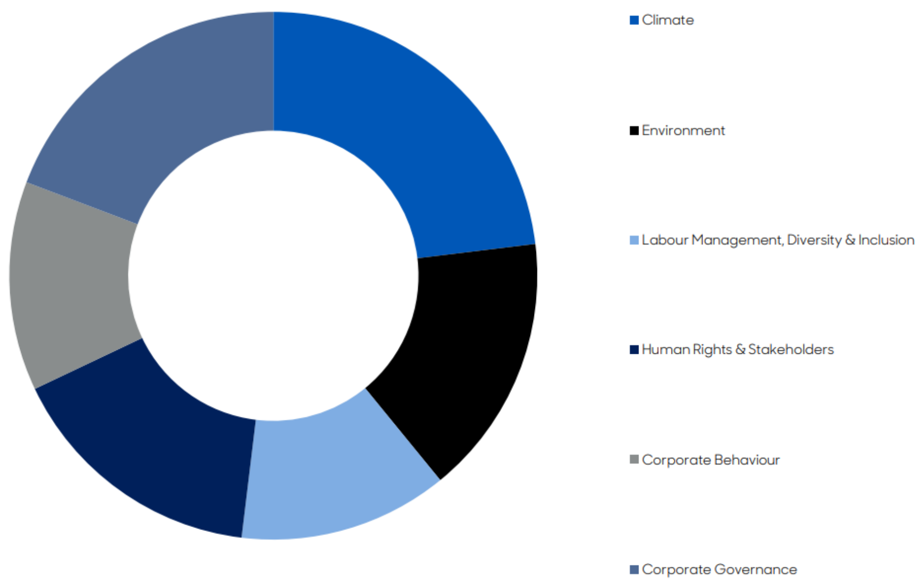
The Plan also works with its asset managers to engage with portfolio companies on its behalf. Voting activity is reviewed on a quarterly basis to ensure voting has been done in compliance with the SIP. No exceptions were recorded last year.

Case Study – Abrdn engage on a wide range of issues across the portfolio

There were 288 holdings in the portfolio as of the 30 June 2023

Our Engagement Activity

We regularly engage with companies we invest in. The below shows the engagements that have included ESG topics. Over the period we met with 32 portfolio companies on ESG topics and had 52 engagements with them. This does not include positions we have moved out of or are considering. Below are the themes engaged on :



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

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

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

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

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

In 2021, the Plan also joined up to support The Transition Pathway Initiative (TPI), a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy, and the data provider for the CA100+ initiative mentioned above. A great example of how local investors can collaborate and express their views to affect the approach of a global firm is provided by the Plan's OCIO manager, BlackRock, and their continued relationship with CA100+.

Case Study – BlackRock engagement with Climate Action 100+

BlackRock's commitment to providing clients around the world with choices to support their unique and varied investment objectives as exemplified by our broad range of funds and Voting Choice program. Nowhere is the diversity of perspective of our clients illustrated more clearly than in the area of sustainable and transition investing. Most of our clients globally have not included decarbonization as an investment objective in their mandates with BlackRock. At the same time, in Europe for example, 100 percent of our largest clients have net zero commitments for their organizations, and globally a growing number have made – or have told us that they intend to make – similar commitments. From discussions with clients, we anticipate that this trend will continue.

To continue to stay ahead of these clients' needs, BlackRock is launching a new Decarbonization engagement and voting stewardship option for clients who explicitly direct us to invest their assets with decarbonization investment objectives.
We have also changed our relationship with Climate Action 100+ as a result of changes CA100+ has made to its strategy. BlackRock became a signatory to CA100+ in Q1 2020, at a time when CA100+ was focused on corporate disclosure. In June 2023, CA100+ published its phase 2 strategy which comes into effect in June 2024. This new strategy will require signatories to make an overarching commitment to use client assets to pursue emissions reductions in investee companies through stewardship engagement. In our judgment, making this new commitment across our assets under management would raise legal considerations, particularly in the U.S.
The majority of our clients who are seeking investment solutions that help them meet their climate, transition and decarbonization commitments are clients of our international businesses ("BlackRock International"). Furthermore, the majority of our funds with decarbonization as one of the investment objectives – including many of those which will be eligible for the new Decarbonization stewardship capability – are managed by BlackRock International.

We have therefore transferred our membership in CA100+ to BlackRock International, and BlackRock Inc. is no longer a member of CA100+. As we made clear when we became a member of CA100+ in 2020, we will always maintain our independence acting on behalf of our clients, including in choosing which issuers we engage with, and how we vote proxies, and so BlackRock International will only prioritize decarbonization as an investment objective, including in our stewardship activities, where directed by clients.

Many interest groups and advocates have strong views on how BlackRock should manage the assets that areentrusted to us. It is important that we reiterate: in managing your money, our only mission is to help you achieve ***your*** investment objectives, with a range of investment choices such as those we are announcing today.

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

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

Case Study – Beach Point participate in driving forward the Carbon Disclosure Project
(May 2021 – ongoing):
Status: Signatory and Lead/Participant in Collaborative Engagements

- **CDP Private Markets Pilot:** (May 2021 – December 2021) Beach Point served as a Founding Member of the Technical Working Group for the CDP's Private Market Pilot to narrow the gap of climate disclosures for select private and/or high yield companies. We helped develop the first reporting framework tailored to private borrowers, which we utilized for direct engagements across a number of issuers.
- **CDP Non-Disclosure Campaign:** (April 2022 – August 2022; March 2024 – September 2024) Beach Point participated in the CDP's Non-Disclosure Campaign to help drive further corporate transparency around climate change, deforestation, and water security by encouraging certain companies to respond to CDP's disclosure requests. This collaborative engagement aligns with our focus on narrowing the climate data gap for below-investment grade issuers, which we believe will help these companies better measure and manage climate-related risks.
- **CDP Science-Based Targets Campaign:** (October 2022 – October 2023; October 2023 – October 2024) Beach Point is participating in this engagement campaign to help accelerate the adoption of science-based climate targets by collaboratively engaging certain companies on this matter. Science-based targets provide companies with a roadmap for reducing their emissions at the pace and scale required to limit warming to1.5°C, while enabling investors to decarbonize portfolios and mitigate climate-related risks.
- **CDP Transition Campaign:** (February 2023 – September 2023) Beach Point partnered with CDP and a group of investment firms to work to motivate certain companies to develop a climate transition plan—a time-bound action plan that clearly outlines how an organization will pivot its existing assets, operations, and entire business model towards a trajectory that aligns with the latest and most ambitious climate science recommendations (such as halving greenhouse gas emissions by 2030 and reaching net-zero by 2050).

Principle 11 - Escalation
Signatories, where necessary, escalate stewardship activities to influence issuers.

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

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

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

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

Sample Cases:

Barclays PLC — **Engagement objective and progress**

Business Ethics – United Kingdom

Engagement Objective: Barclays should ensure on-going implementation of whistle-blower policies as mandated by regulators, as well as relevant international organizations and global banking industry best-practices. The company should also implement best practices regarding whistle-blower protections and procedures, ensure that whistle-blower bodies have the appropriate independence and provide disclosures regarding the on-going enforcement of whistle-blower policies. To the extent possible, Barclays should disclose all relevant material regarding whistleblowing protections, business ethics at the executive level, and corporate culture.

Progress: Unchanged since Q2 2023. Milestone 5 achieved. The company has confirmed details of their Whistleblower Grievance Mechanism - it is run by an independent third party and offers the option for anonymous reporting. They provide detailed reporting annually on whistleblowing statistics, including the numbers, the types of reports, and the general findings. The company has resolved regulatory oversight by the UK Financial Conduct Authority. They continue to be in periodic contact with the UK Prudential Regulation Authority and the New York State Department of Financial Services, although there is no follow-up from the regulators.

Bayer AG — **Engagement objective and progress**

Quality and Safety – United States

Engagement objective: Bayer (formerly Monsanto) should ensure that it has a policy and procedure for the disclosure of health, safety, and environmental data to both regulators and consumers.

Progress: Unchanged since Q2 2023. Milestone 4 achieved. During a conference call in August 2020, Bayer stated that for new products, both the product efficacy and sustainability (human and environmental safety) for the intended product use are assessed and balanced. And that it discontinues the development of active ingredients with undesirable properties in the application of the precautionary principle as defined in Principle 15 of the Rio Declaration of the United Nations and Communication COM (2000) 1 of the European Commission. In general, all products need authority approval for their specific use (e.g., in a certain crop/country) before they can be marketed. Bayer only develops products and applies for product registrations, if an internal risk assessment allows the safe use of a product in the envisaged crops/countries.

Danske Bank A/S *Money Laundering – Estonia*	**Engagement objective and progress**

Engagement objective: Danske Bank should ensure that it has implemented risk management systems and internal controls that aim to prevent financial crime and money laundering and demonstrate that they are robust and universally applied. Danske Bank should ensure that the board has sufficient and effective oversight of the business. To the extent possible, Danske Bank should disclose all changes related to its AML program.

Progress: Unchanged since Q2 2023. Milestone 4 achieved. As a result of our findings through our on-site visit to Danske Bank, where Sustainalytics had the opportunity to speak to the CEO, and Compliance and other parts of the company; we have determined that the company has appropriately put in place a range of anti-money laundering initiatives, established oversight bodies and roles designed to report on compliance and significant investments in anti-money laundering infrastructure to the tune of 2 billion euros. Furthermore, the close relationship Danske Bank has with regulators, including physical monthly meetings and weekly conference calls with the FSA, suggests a high level of AML risk mitigation in the medium term.

Samsung Electronics *Bribery and Corruption - South Korea*	**Engagement objective and progress**

Engagement objective: Samsung should adopt detailed policies for political, charitable contributions, facilitation payments, gifts and travel expenses. The company should further ensure that its anti-corruption policies are properly implemented and monitored. Samsung should increase independence of its board of directors and assure its audit and related party committees are fully independent.

Progress: Unchanged since Q2 2023. Milestone 4 achieved. Through a call detailing the previous strategy changes the company demonstrated the implementation has advanced meaningfully and the company is continuing to strengthen the quality and content of disclosure.

The Boeing Company *Quality and Safety - United States*	**Engagement objective and progress**

Engagement objective: Boeing should accomplish the safe return of the 737 MAX aircraft to commercial flight (i.e., re-certified and flight bans lifted). It should ensure that the people affected by the two accidents are appropriately supported and compensated. Boeing should adopt a robust, precautionary approach to product quality management at all of its commercial aircraft manufacturing facilities.

Progress: Unchanged since Q2 2023. Milestone 5 achieved. In terms of compliance, the company is making good progress with regulators, with many countries having returned the Boeing 737 Max back into commercial use in their airspaces. The US FAA has approved their Safety Management System. In terms of implementing strong preventative measures, their grievance / whistleblowers' mechanism, although not best in class, is now sufficient, and they provide some disclosure on whistleblowing statistics. The company is actively trying to change its corporate culture to prioritize quality and safety and the ability of employees to raise concerns, as evidenced by their Seek, Speak and Listen Campaign. Quality and Safety metrics are also clearly laid out in the 2022 Proxy Statement for executives' compensation, and they are also factored into employee performance evaluations.

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

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

Traditionally, listed equities are the only asset class to which voting rights are attached. The assets of the Plan are invested across many different asset classes, and due to the funding level of Plan, the allocation to listed equity is relatively small, with no direct allocation in the

RMG Section, and about 6.2% of the smaller DBCB Section. In the relevant period, the Plan was invested with three different listed equity managers who were able to participate in voting activities.

Through its Strategy, Investment and Funding Sub-Committee, the Trustee:

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

The degree of voting detail received from managers varies, though all provide summaries on an annual basis in the format suggested by the Pensions and Lifetime Savings Association. In aggregate, the Trustee's managers were eligible to vote on 1148 shareholder resolutions over the year and voted on 100% of these. Managers voted against management recommendation on 16% of the votes. While two of the four managers employ a proxy voting service to vote and provide recommendations, those managers still followed their own voting policies, voting against the recommendation of their proxy service provider 15% of the time.
Board governance (for example where board compensation was deemed excessive or proposed board members were considered not sufficiently independent) and excessive dilution (where changes to capital structure risked diluting the Plan's current equity holdings by an excessive amount) were the largest areas of dissention amongst the votes against management.

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

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

VOTING STATISTICS APPLICABLE TO THE SCHEME'S REPORTING PERIOD

How many meetings were you eligible to vote at?	81
How many resolutions were you eligible to vote on?	1148
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?	84%
Of the resolutions on which you voted, what % did you vote against management?	16%
Of the resolutions on which you voted, what % did you vote to abstain?	3%

In what % of meetings, for which you did vote, did you vote at least once against management?	40%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	Dalton utilizes ISS Proxy Exchange for proxy advisory services and does not have a bespoke policy implemented.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	15%

The Plan no longer engages in a stock lending program. However, the Trustee is aware that as part of the ongoing strategic review, BlackRock passive funds appointed under the OCIO framework will undertake stock lending in line with the principles and policies of the BlackRock Stewardship team mentioned earlier and BMR will consider the voting policies and practices in providing ratings for funds that will be used in the Plan's strategy.

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

Case Study- BlackRock Engagement on Green Gilts

An example of Blackrock's involvement on defining the evolving green bond market is its role on the issuance of the inaugural green gilt.

The UK has issued multiple Green Gilts to finance public spending for low-carbon infrastructure and other green projects. Post BlackRock's initial engagement with UK DMO in October 2021 when they first announced their green gilt framework, BlackRock has since re-engaged on multiple occasions. In March 2023, BlackRock discussed with the UK Treasury and DMO their inaugural green gilt allocation report that was issued in September 2022. 47% of proceeds were allocated to clean transport, 14% to renewable energy, 14% to energy efficiency, 13% to climate change adaptation, and the remainder across pollution prevention and control (with R&D in CCUS for UK's blue hydrogen strategy), and living and natural resources management, and other climate financing initiatives.

BlackRock favourably views the mitigation heavy focused project allocations thus far in UK's green gilt program. BlackRock provided guidance and direction in terms of best practices for impact reporting. The UK DMO office has recently released their inaugural impact report in September 2023. BlackRock re-engaged with the issuer in October 2023. In the call, the UK green gilt impact reporting methodology was discussed, they delved into programs and reporting details for categories like clean transport, energy efficiency, and eligible UK expenditures in Official Development Assistance (ODA)-eligible countries, among others. The Trustee notes the full allocation to green gilts of GBP 16.1bn cash proceeds raised in FY 2021-2022 and a near-full allocation of the cash proceeds raised in FY2022-2023.

Case Study – Loomis Sayles – Investment Grade Corporate Bonds

Electricite de France SA (EDF)

Environment - Climate change
Governance - Board effectiveness - Independence or Oversight

- On governance - The French government is EDF's majority shareholder. There is a concern that the government imposes its will on EDF too much. Recently, EDF was asked by the French government to irradiate lithium rods that could be used in the production of nuclear weapons. It is not a given that this activity can be directly linked to the production of nuclear weapons, as it could be difficult to prove the end use. It also may be years before EDF is asked to produce this material. For now, EDF was just requested to test the feasibility. If this activity were to occur, it would account for less than 1% of EDF's revenues, thus ESG sensitive accounts/funds that have share-of-revenue based rules should still be allowed to invest in EDF bonds.
- On decarbonization - EDF has committed to achieving carbon neutrality by 2050, both in direct and indirect emissions by reducing CO2 emissions by at least 90% and neutralizing the residual. This will be achieved through carbon sequestration or by reducing greenhouse gas emissions. Their renewable generation targets have not changed. There is strong support by the French government for a combination of renewables and nuclear as the main source of energy in France going forward. Renewable capacity is expected to increase to ~21 GW in 2024 and reach 50 GW in 2030. The targets we have for EDF include a French nuclear output of 300-330 TWh in 2023, 315-345 TWh in 2024, and 335-365 TWh in 2025.
- On reliability - Another topic discussed was the reliability of their nuclear fleet in light of the corrosion detected in 2021. Of the 16 reactors deemed "sensitive", 15 have been repaired. 7 of these 15 were subject to full, systematic and preventive replacement of the pipes, whereas the works required for the remaining 8 were not as deep. The remaining reactors not yet inspected will be inspected in 2025 and 2026 (inspection to coincide with the planned outage schedule). They are confident that they will meet their output guidance. We believe this issue is under control.
- Our engagement with EDF is aligned with SDG 13 - Climate Change.
- We have engaged with EDF seven times. Our first engagement was in September 2019 and most recently in February 2024. Our senior credit analyst led these engagements with their Investor Relations team. The topics of recent engagements consisted of governance concerns and sustainability targets.
- EDF has been very informative throughout our engagements. We were able to determine that the progress of fleet repairs and inspections is under control. We would like to learn more about how they plan to neutralize the remaining 10% of their CO2 emissions by 2050. Their decarbonization efforts create a broader environmental benefit. After we spoke with EDF this March, we concluded that the implications of being asked by the French government to irradiate lithium rods would be relatively limited. Nevertheless, it highlights the company's poor governance practices. At this time, we are not considering divestment in the issuer. However, we will continue to monitor the possibility of EDF being added to clients' exclusion list on ESG grounds because of this issue.

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

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

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

In the Absolute Return Portfolios, the funds often have a relatively short-term holding horizon in comparison to traditional equity managers, so their ability to influence portfolio companies is more limited. Where the holding horizon of a strategy is longer term, the Plan does expect to see Absolute Return managers voting, particularly for Activist / Event Driven strategies. The Trustee is aware that shorting of positions for companies that are exposed to climate risks or the risks due to climate change are becoming more popular.

Appendix – Non-Equity Engagement and Escalation examples

Abrdn – Corporate Bonds

Active Ownership: Case Studies

Royal Mail Pension Plan Self Sufficiency Credit Fund

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

Company / Topic	Lifecycle Status	Engagement Summary	Investment View Change
NextEra Energy Capital Holdings Inc Labour Management		Following an update to our voting policy, we wrote to the company to set our expectation that board's comprise at least 30% female directors and to seek their comments on any intentions to strengthen gender diversity on their board. NextEra advised that two male directors were not standing for re-election and that they were presenting a new female nominee, bringing board gender diversity in line with our expectations.	None
Comcast Corp Corporate Gov & Disclosure		We engaged with Comcast following a letter we had sent to the company outlining our views on board gender diversity. Comcast currently doesn't meet our 30% female representation expectation so we were keen to hear about their recruitment process and approach to succession planning, as well as discuss some voting issues ahead of their upcoming AGM.	None
Vodafone Group PLC Corporate Gov & Disclosure	Identify	Ahead of the company's AGM, we were consulted on the proposed revised Remuneration Policy and arrangements for the new CEO. This included a review of the annual bonus framework. We indicated that we were comfortable with proposals. It is worth noting that we were in line with the market and Vodafone broadly recieved positive feedback and engagement on these changes.	Weakens
Wells Fargo & Co Climate Change, Environment		WFC hold a monthly ESG call with a small group of investors. WFC's ESG profile is clearly dominated by its historic failings in it consumer finance businesses which are subject to several consent orders and despite significant investment in systems and several management changes, time and regulators will decide when these orders will be lifted. Overall, WFC progress on ESG/Sustainability is modest but is moving in a positive direction. Overall, this did not change our ESG view of the bank, where the ESG Risk Rating is Medium, but external ESG ratings are too negative and not reflect of the positive work the bank has done in recent years.	Reinforces
Electricite de France SA Climate Change, Environment	Plan, Plan	We engaged as part of the Net Zero framework with our Top 20 financed emitters. EDF has set a target to be carbon neutral by 2050, which has been validated by SBTi for just below 2 Degrees. By 2030, EDF aims to reduce direct and indirect emissions by 50% (versus 2017) and reduce its scope 3 emissions by 28% (versus 2019). EDF is helping its employees in the transition to Net Zero with upskilling and taking the social element into consideration. We were overall encouraged by the progress made but encouraged the company to have better disclosures with regards to capital alignment.	Reinforces
NatWest Markets PLC Human Rights & Stakeholders, Corporate Behaviour		Discussed the management change and how they will deal with the independent investigation. The risk here is that any investigation finds that there was widespread and systemic de-banking activity in Coutts and then that the narrative told by the previous CEO and the bank was not fully correct. He sees low risk of both of these but they will co-operate fully with the review and act accordingly.	None
Bank of America Corp Corporate Gov & Disclosure		We had a good discussion with the company around board refreshment and the 30% dissent from the recent say on pay vote. We mentioned that we are against one-off equity awards to executives and prefer all remuneration to be done via the regular compensation schemes. The high value of the CEO's time based LTIP awards at $15m was also an issue for us, however we were pleased to note that the CEO and NEO's have to retain 50& of their net equity awards until retirement.	None
McDonald's Corp Labour Management, Corporate Gov & Disclosure	Identify	We sought a meeting with McDonald's to discuss serious allegations of gross misconduct that have been widely reported in the press. We also asked for updates on the third-party civil rights audit requested by shareholders, including abrdn, at the 2022 annual meeting; and on aspects of executive compensation linked to human capital. We remain concerned about several issues and have reflected this in our internal analysis. We will continue to engage with the company to encourage change.	Weakens

Verizon Communications Inc	Identify, Identify	Meeting with Verizon following the Wall Street Journal's article with claims of lead contamination from cabling laid between 1800s and 1960s. This was a positive meeting with independent audit results and testing done by the US EPA disproving many of the WSJs accusations. We asked VZ to work towards producing a publicly available map of where these lead sheathed cables may be.	Reinforces
Climate Change, Environment			
JPMorgan Chase Bank NA		We met JPMorgan Chase & Co to discuss topics relating to corporate governance, climate-related financing, and climate disclosure. The company has taken steps to develop its approach to each of these topics in recent years. We welcome these improvements but remain concerned about the tenure of the Lead Independent Director, composition of the Audit Committee, and aspects of executive compensation.	None
Climate Change, Corporate Gov & Disclosure			
NatWest Markets PLC		During this call we covered payment of staff, with increases expected this year. We also touched governance, in particular on management change at Coutts following recent issues there. Overall this discussion did not change our ESG view of the company.	None
Labour Management			
Verizon Communications Inc		Meeting with Verizon following the Wall Street Journal's article with claims of lead contamination from cabling laid between 1800s and 1960s. This was a positive meeting with independent audit results and testing done by the US EPA disproving many of the WSJs accusations. We asked VZ to work towards producing a publicly available map of where these lead sheathed cables may be.	Reinforces
Environment			

LaSalle – Property

Portfolio Sustainability updates

- In terms of EPCs, the portfolio has no assets that are F or G rated, therefore the portfolio is compliant with the Minimum Energy Efficiency Standards (MEES).

- 1 of 5 assets have net zero carbon audits in place (CB1 student accommodation in Cambridge), with no further audits planned. The rest of the assets are not being audited as these are marked for sale.

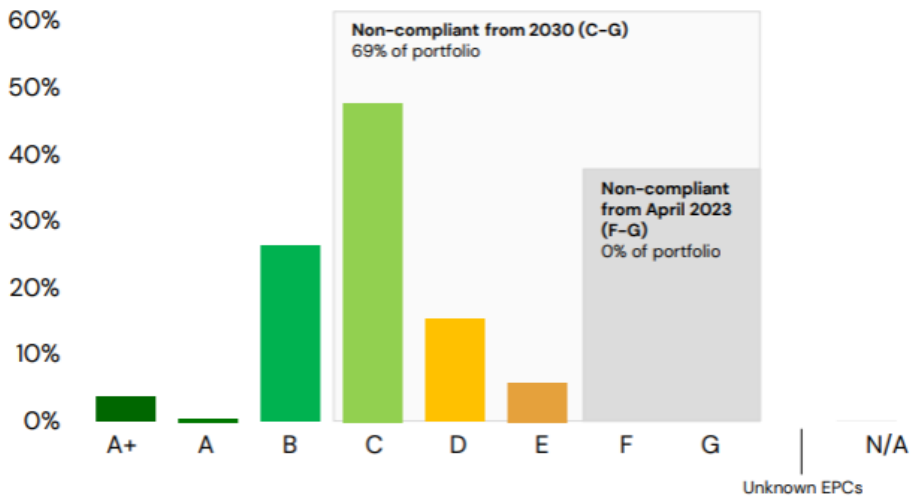
- CB1 Cambridge - Consultant fee proposals received for undertaking remedial works to the site covering external walls and preventative maintenance of heating plant. Site visit also undertaken to understand potential heat decarbonation challenges with the existing systems.

- A programme of works is currently underway to obtain Scope 1, 2 and 3 tenant energy data across the properties in the portfolio. We have undertaken meter upgrade projects and installed automatic meter readings to capture Scope 1 and 2 data across the portfolio. We are also working with third-party energy services company, Perse, to obtain 100% meter coverage for Scope 3 data.

Minimum Energy Efficiency Standards (MEES)

- Since April 2023, MEES regulations prevent the letting of any property in England & Wales rated F or G.
- Latest government updates indicate this minimum energy rating is expected to be tightened to a minimum rating of B from 2030 where practical, cost effective and affordable.

Portfolio EPC risk for properties in England and Wales (by rental value):



Notes:

The latest government update in relation to upcoming minimum EPC standards falls under the 'Minimum Energy Performance of Buildings Bill', which has been at second reading stage since November 2023. Earlier plans for the interim minimum C rating from April 2025 and B rating from April 2028 were not included in this bill and it is widely believed in the industry, that this will be scrapped due to impracticality and costs for landlords within the timescale. This is yet to be officially confirmed.

BlackRock – Cash Funds

In order to achieve LEAF's environmental goals, BlackRock will consider environmental risk metrics in addition to our standard credit risk assessment process. In evaluating performance in environmental practices, BlackRock will use data or other environmental, social, or governance risk metrics including ratings provided by independent research vendors in determining whether to invest (or continue to invest) in securities issued or guaranteed by a particular entity.
Considerations may include:

- Issuer or industry exposure to environmentally intensive activities
- Disclosures by an issuer around climate-related issues and environmental matters
- Specific targets or plans by an issuer to manage environmental exposures

How LEAF considers the environment
In addition to LEAF's environmentally-focused investment strategy, at least 5% of the net revenue from BlackRock's management fee from the Fund will be used to purchase and retire carbon credits.

In seeking to achieve LEAF's environmental goals, BlackRock may use data or other ESG risk metrics provided by independent research vendors.

Additionally, BlackRock is enhancing core credit research through proprietary models that incorporate ESG factors into traditional credit analysis to determine an investment's "E" score for eligibility for inclusion in LEAF. The goal is to evaluate the best resources, data and tools available which highlight ESG insights for our given investment universe.

Case study: Supporting World Wildlife Fund's ("WWF") conservation efforts
BlackRock is pleased to make an annual contribution of $185,000 to World Wildlife Fund, a leading environmental non-profit organization with recognized expertise and experience in environmental protection. Through its global climate programs, WWF is working to shape a climate-resilient and zero-carbon world, powered by renewable energy.

Special environmental considerations:

- LEAF will not invest in securities that derive more than 5% of their revenue from fossil fuels mining, exploration or refinement.
- LEAF will not invest in securities that derive more than 5% of their revenue from thermal coal or nuclear energy based power generation.
- LEAF may invest in "green" bonds, where the use of proceeds from the sale of these bonds will be used to finance projects intended to generate an environmental benefit.
- LEAF may invest in securities issued by institutions that have a commitment to support sustainable palm oil.

Loomis Sayles – Investment Grade Credit

Volkswagen (VW)

Social - Human and Labor Rights

- We aim to engage with issuers that received poor ratings from MSCI on material issues. An example of this is our engagement with VW. In November of 2022, MSCI flagged VW on allegations of forced labor practices at a reconditioning facility in China with their JV partner SAIC. Management expressed that there was no forced labor taking place at the facility and that they would hire an independent auditor to audit the facility. The audit was completed and the auditor announced in December of 2023 that there were no signs or findings of forced labor practices at the facility. Promptly, MSCI removed the flag on VW following the completion of the audit and labeled the matter as "partially resolved" on their website. During the engagement, management commented that they are still in contact with MSCI to figure out what is needed to fully resolve the matter, but communicated that it's out of their hands for the time being as MSCI has made it unclear what the next steps are following the removal of the flag. This engagement with VW is aligned with SDG 8 – Decent Work and Economic Growth.
- We have engaged with VW on more than ten occasions, beginning in September 2017. Our senior credit research analyst has led these engagements with VW's Investor Relations team. The primary topic of the most recent engagements has been the forced labor allegations.
- The engagements have given us more clarity on the allegations. VW conducted an independent audit that found no practices of forced labor at the facility and has been in regular communication with hundreds of investors regarding the matter given the investment implications for ESG-sensitive accounts. Given that the audit found no signs of forced labor and MSCI removed the flag, we view this positively given that at MSCI, VW's score would move from Red Flag (Score 0) to Orange Flag (Score 1). The completed audit and the issuer's cooperation during these engagements are positive signs. However, we would like to see this issue fully resolved. We will continue to engage with VW and are certain other investors are also pressing VW on the matter considering the seriousness of the matter and the investment implications. Moving forward, we will expect VW to continue to provide updates and remain engaged with investors as they have done over the last year and a half. We would also like to see if they have any plans to reconsider its operations in China.

AIB Group (AIB)

Strategy, Financial and Reporting - Risk management (e.g. operational risks, cyber/information security, product risks)

- Our analysts continue to engage with issuers that have had material issues in the past to ensure progress is being made and no additional problems have occurred since then. AIB has a history of treating customers of their tracker mortgages unfairly, for which they have had to make restitution to clients. During our engagement, we discussed the group's poor history with tracker mortgages. The Investor Relations team informed us that they had finished making restitution to all clients and had carefully scrubbed the portfolio to ensure there were no additional cases. They also looked closely at the tracker mortgages they are in the process of acquiring from Ulster Bank (Natwest) to ensure those customers had all received compensation as well. To the best of their knowledge, the tracker mortgage situation is now in the past with no additional changes or financial penalties expected. New processes are in place to ensure those problems are not repeated. This engagement is aligned with SDG 16 - Peace, Justice, and Strong Institutions (corruption).
- We have engaged with AIB twice. Our first engagement was in October 2021, and most recently in April 2023. Our senior credit research analyst led these engagements with UBS's Investor Relations team. The most recent engagement was an update on their tracker mortgage issue.
- The goal of our engagement is to ensure these tracker mortgage issues do not reoccur, and this has been met. There have not been any new cases as of late. We feel comfortable holding this issue. AIB has an average ESG score and there are no other large ESG concerns. Our engagement did not play a significant role in bringing about change. AIB had already worked through their tracker mortgage issues and completed all restitutions to clients before we engaged with them. We will continue to engage with this issuer and do not see a need to escalate our engagement.