August 2024

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Brann Retirement Benefits Plan ("the Plan") Implementation Report

August 2024

Document classification: Public

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Implementation Report

This implementation report is to provide evidence that the Plan continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address Brann_Retirement_Benefits_Plan_-_Statement_of_Investment_Principles_-_April_2023.pdf (havas.com). Changes to the SIP are detailed on the following page.

The Implementation Report details:

1. actions the Plan has taken to manage financially material risks and implement the key policies in its SIP
2. the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
3. the extent to which the Plan has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
4. voting behaviour covering the reporting year up to 31 March 2024 for and on behalf of the Plan including the most significant votes cast by the Plan or on its behalf

Summary of key actions undertaken over the Plan reporting year

- There are no significant actions taken by the Trustees over the year. The Trustees continue to monitor and discuss ESG and climate change as part of regular Trustee meetings.
- Post 31 March 2024, the Trustees took several actions to rebalance the investment strategy back in line with its strategic benchmark, including updating the Plan's liability hedge to reflect the Scheme Actuary's latest best estimate of the Plan's liability profile and rebalancing the Plan's growth assets back in line with targets.
- The Trustees continue to engage with their advisors on ESG, including the latest regulatory guidance and updates.

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Implementation Statement

This report demonstrates that the Brann Retirement Benefits Plan has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change over the 12 months to 31 March 2024.

Approved and adopted by the Trustees of the Brann Retirement Benefits Plan.

Managing risks and policy actions DB

The Trustees have identified the following risks that it has considered in the Plan's SIP. These risks and the Trustees' policies are set out in the tables below. The key actions the Trustees have taken over the accounting year to address some of these risks have been highlighted in the tables.

Risk / Policy	Definition	Policy	Actions
Interest rates and inflation	The risk of mismatch between the value of the Plan assets and present value of liabilities from changes in interest rates and inflation expectations.	The target a hedge of 100% of the Plan's liabilities valued on a Technical Provisions basis.	Following the period covered by this report, in April 2024 the Trustees updated the Plan's LDI mandate to reflect the Scheme Actuary's latest best estimate of the Plan's liability profile on a Technical Provisions basis.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values).	No actions or changes to policy. The Plan invests exclusively in daily and weekly dealt funds.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away unrewarded risks, where affordable and practical.	No actions or changes to policy.
Credit	Default on payments due as part of a financial security contract.	The Plan diversifies this risk by investing in asset classes that are diversified across different sectors.	No actions or changes to policy.
Environmental, Social and Governance **(ESG)**	Exposure to ESG factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process	Further detail provided later in this report.

		3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory 6. UK Stewardship Code signatory The Trustee monitor the managers on an ongoing basis.	
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	The Trustees delegate responsibility of currency hedging decisions to the respective investment managers, within constraints imposed by the agreed investment guidelines. The Trustees also hedge currency risks where deemed appropriate, following advice from investment advisers.	No actions or changes to policy. All mandates are invested in a GBP Sterling share class. Where the Trustees use active management, the manager is permitted to make decisions concerning the appropriate level of currency hedging.

Changes to the SIP

Over the period to 31 March 2024, the Trustee made changes to the SIP to reflect recent regulatory requirements as well as non-material formatting / wording changes. Details of the changes can be found below.

Updates to the SIP	
Date updated: 27 April 2023	
Liquidity & Cashflow	• Following the gilts crisis in September 2022 and subsequent rise in gilt yields, regulators have issued guidance for pension schemes. This focusses on schemes that use liability hedging as part of their investment strategy, and the readily available assets ("collateral") required to support these arrangements. • The Trustees updated the SIP to acknowledge the order of priority for collateral to be called from their "return-seeking" investments in the event of a collateral need. • The Plan has an automatic collateral waterfall in place consisting firstly of the LGIM Sterling Liquidity Fund, and secondly the M&G Total Return Credit Investment Fund. In such a circumstance that collateral is required outside of these investments the Trustees will take appropriate advice.
Voting Policy - How the Trustees expect investment managers to vote on their behalf	• The Trustees updated their policy to acknowledge, via their investment advisers, responsibility for the voting policies that are implemented by the Plan's investment managers on their behalf.
Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'	• The Trustees updated their policy to acknowledge, via their investment advisers, they will engage with managers to monitor accordance with their stewardship priorities. At the time of preparing this statement, the Trustees have not set specific stewardship priorities.

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Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Trustees' policy regarding ESG as a financially material risk, and this page details how the Trustees' ESG policy is implemented. The following page outlines Isio's assessment criteria used in evaluating the Plan's fund managers' respective ESG policies and procedures. The remainder of this statement details our view of the managers, our actions for engagement and an evaluation of the stewardship activity.

The Trustees delegate the management and monitoring of ESG risks and engagement to the investment managers. The below table outlines the areas which the Plan's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustees intend to review the Plan's ESG policies and engagements periodically to ensure they remain fit for purpose.

Implementing the Current ESG Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity	• Through the manager selection process ESG considerations will form part of the evaluation criteria. • The Plan's investment advisor Isio will monitor the managers' ESG policies on an ongoing basis.	• The manager has not acted in accordance with their policies and frameworks.

Areas of assessment and ESG beliefs

Risk Management	1. ESG factors are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustees. 2. The Trustees believe that ESG integration leads to better risk adjusted outcomes and want a positive ESG tilt to the investment strategy.
Approach / Framework	3. The Trustees want to understand how asset managers integrate ESG within their investment process and in their stewardship activities. 4. The Trustees believe that sectors aiming for positive social and environmental impacts may outperform as countries transition to more sustainable economies. Where possible the investment strategy will allocate to these sectors. 5. The Trustees will consider the ESG values and priority areas of the stakeholders and sponsor and use these to set ESG targets.
Voting & Engagement	6. ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors. 7. The Trustees believe that engaging with managers is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the managers in the first instance. 8. The Trustees want to understand the impact of voting & engagement activity within their investment mandates.
Reporting & Monitoring	9. ESG factors are dynamic and continually evolving, therefore the Trustees will receive training as required to develop their knowledge. 10. The Trustees will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.
Collaboration	11. Asset managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI and TCFD. 12. The Trustees should seek to sign up to a recognised ESG framework to collaborate with other investors on key issues.

Engagement

As the Plan invests via fund managers, the managers provided details on their engagement actions including a summary of the engagements by category for the 12 months to 31 March 2024. Please note that not all categories sum to the number of total engagements, as some engagements covered more than one ESG area.

Manager, fund name and Engagement summary	Commentary
BlackRock, Dynamic Diversified Growth Fund Total Engagements: 331 Environmental: 90 Social: 126 Governance: 309	BlackRock engage with companies via their Investment Stewardship team (the 'BIS' team) to provide feedback and inform their voting decisions. Examples of significant engagements include: **Tesla Inc** BlackRock have engaged with Tesla Inc in a variety of ways over the reporting year to discuss matters across the ESG spectrum. Their engagements have largely focused on discussions that fall under the broader theme of 'Social', covering Tesla's approach to human capital management, supply chain labour management and social risks/opportunities. The engagements are consistent with BIS's engagement priority of 'Company Impact on People' which looks to ensure portfolio companies are investing in the relationships that are critical to their ability to meet their strategic objectives and support their ability to deliver durable, long term financial performance. **L'Oréal** BlackRock engaged with L'Oréal on multiple occasions to discuss a range of sustainable social and governance business matters. BlackRock noted that engagements with L'Oréal covered the company's board composition and effectiveness, renumeration and a range of social matters which included social risks and opportunities. The engagements align with BIS's engagement priority of 'Strategy, Purpose and Financial Resilience' which looks to understand how boards and management are aligning their business decision-making with the company's purpose and adjusting strategy and/or capital allocation plans as business dynamics change.

LGIM, Diversified Fund Total Engagements: 1,643 Environmental: 1,162 Social: 178 Governance: 265 Other: 38	LGIM's Investment Stewardship team manage the voting and engagement across all funds, leveraging all possible capital to maximise effectiveness. LGIM share their finalised ESG ratings/scorecards with companies, identifying which metrics are used, LGIM's key focus areas and suggestions to companies that could improve their score.
LGIM, Matching Core LDI Fund Range (including Sterling Liquidity Fund) *Matching Core Fix Short* *Matching Core Fix Long* *Matching Core Real Short* *Matching Core Real Long* LGIM currently has not yet provided numerical data of engagement activity within the Matching Core LDI Funds.	LGIM believe effective stewardship involves working with companies, regulators, policymakers, peers and other stakeholders around the world to tackle systemic issues, material risks and opportunities as well as collaboration with industry experts to identify future challenges. **APA Group** LGIM engaged with APA Group, Australia's largest energy infrastructure business, following it being identified as significantly lagging LGIM's expectations on climate related lobbying activities. LGIM expect companies to introduce credible transition plans that are consistent with the Paris goal of limiting the global average temperature increase to 1.5°C, and inclusion of disclosure of related Greenhouse Gas ('GHG') emissions over the short, medium, and long-term. LGIM considered APA's proposed climate transition plan to be insufficient to meet their guidelines and voted against their proposal. In Q1 2024, following LGIM's engagement, APA confirmed they would expand the goals underlying their transition plan in the 2025 refresh of their Climate Transition Plan and have outlined their proposed reduction pathway.
M&G, Total Return Credit Investment Fund Total Engagements: 12 Environmental: 8 Social: 2 Governance: 2	M&G has a well integrated sustainable investment policy to ensure ESG considerations are incorporated across all stages of the investment process. Examples of significant engagements include: **Brambles Finance Plc.** M&G engaged with Brambles Finance Plc, an Australian sustainable logistics business, to request the company more explicitly link remuneration KPIs (Key Performance Indicators) to sustainability targets, to reflect the company's role as a promoter of, and practitioner in, the circular economy. M&G also encouraged the company to commit to net zero through the SBTi ('Science-Based Targets initiative'), as though they have a near term SBTi approved 1.5° target they have not yet committed to a net zero target through the initiative. In addition, M&G asked Brambles to consider reporting on specific milestones on the path to achieving the goals of its decarbonisation strategy, with specific ties to remuneration. Brambles were receptive to M&G's recommendations and plan to discuss considerations for more granular milestones connected to its decarbonisation strategy with M&G's Head of Sustainability.

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Voting

The Trustees have acknowledged responsibility for the voting policies that are implemented by the Plan's investment managers on their behalf.

As the Plan invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2024.

Please note, this section does not apply to the LGIM Matching Core LDI Fund Range, LGIM Sterling Liquidity Fund, or M&G Total Return Credit Investment Fund. This is because these funds do not actively hold equity that carries shareholder voting rights.

The Trustees have adopted the manager's definition of significant votes and have not set stewardship priorities. The manager has provided examples of votes they deem to be significant.

Manager, fund name	Voting Summary	Examples of significant votes
BlackRock, Dynamic Diversified Growth Fund	Voteable Proposals[1]: 7,166 Proposals Voted: 94.4% Votes For: 85.2% Votes Against: 6.3% Votes Abstained: 1.6% Votes Withheld: 0.2% BlackRock's proxy voting process is led by the BlackRock Investment Stewardship Team (BIS) which consists of regional teams. BlackRock use Institutional Shareholder Services (ISS), an electronic platform, to access voting research and to execute their vote instructions. BlackRock aims to engage with the company in the first instance to give management time to address the issue, however, they are not afraid to vote against companies where they believe the	**Broadcom, Inc** BlackRock engaged with Broadcom regarding their executive compensation practices. During discussions, issues such as the company's long-term incentive plan, the prolonged use of exceptional awards, and the lack of a clawback policy were highlighted. BlackRock noted that despite the company's successful performance, outpacing the S&P 500 by over 5.5% annually for the previous five fiscal years, the company's intention to institute a clawback policy was received positively. However, BlackRock raised concerns over a proposal for a special equity award in fiscal year 2022. It was agreed that such special awards should be limited, and when given, several factors including the scale, structure, recipients, alignment with shareholder value, and the company's historical usage should be considered. The 2022 award, intended to honour exceptional achievement tied to strategic priorities that year and was valued at $10 million. BlackRock deemed the company to have failed to disclose specific performance criteria for this

[1] In cases of different votes submitted across ballots for a given meeting, votes cast are distinctly counted by type per proposal where total votes submitted may be higher than unique proposals voted.

	Board or management have not acted in the interests of long-term investors.	award, resulting in a lack of clarity on how compensation policies align with corporate strategy and financial value. The performance period's limited length of one year also raised concerns. CEO succession planning was raised as one of the award's objectives, however BlackRock view this as a standard executive responsibility. Additionally, a potential successor's departure to lead another company highlighted the elevated risk in relation to succession planning. BlackRock subsequently requested further information on the board's effective approach to succession planning going forward. Given these concerns, primarily centred on the emphasis on short-term targets and the lack of detailed information on compensation, BIS decided against supporting the say on pay proposal and the election of the members of the Compensation Committee.
LGIM, Diversified Fund	Voteable Proposals: 93,090 Proposals Voted: 99.8% Proposal voted with management: 76.6% Proposals voted against management: 23.1% Abstain votes: 0.3% LGIM's Investment Stewardship team uses International Shareholder Services' (ISS) 'Proxy Exchange' electronic voting platform to electronically vote in line with LGIM's policies. All voting decisions are made by LGIM, and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, they put in place a custom voting policy with specific voting instructions.	**Toyota Motor Corp.** LGIM voted for a resolution to amend to report on Corporate Climate Lobbying aligned with the Paris Agreement, against management recommendation. LGIM view climate lobbying as a crucial part of enabling the transition to a net zero economy and believe that companies should advocate for public policies that support global climate ambitions. The resolution was not passed however LGIM note that there has been progress made in relation to its climate lobbying disclosures, though additional transparency is necessary. This vote was made in line with LGIM's expectations around companies using their influence positively and advocate for broader improvements of ESG factors and they will continue to engage with the company and monitor their progress on reporting. **Amazon** LGIM voted for the resolution to report on median and adjusted gender/racial pay gaps, against management recommendation. LGIM note that though the resolution was not passed they expect companies to disclose meaningful information on their gender pay gaps and the initiatives that apply to closing any stated gaps. LGIM deem these disclosures to be key to investors assessing the progress of a company's diversity and inclusion initiatives. LGIM will continue to engage with Amazon on its diversity data disclosure and will monitor its progress.

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