TRUSTEE'S REPORT
YEAR ENDED 31 MARCH 2022

Engagement Policy Implementation Statement ('EPIS')

The Engagement Policy Implementation Statement ("EPIS") has been prepared by the Trustee and covers the Scheme year 1 April 2021 to 31 March 2022.

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual statement which outlines the following:

- Explain how and the extent to which the pension scheme Trustee has followed their engagement policy which is set out in the Statement of Investment Principles ("SIP").
- Describe the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Scheme year and state any use of third-party provider of proxy voting services.

Executive summary

Based on the activity over the year by the Trustee and its investment managers, the Trustee believes that the stewardship policy has been implemented effectively. The Trustee notes that most of its investment managers were able to disclose adequate evidence of voting and/or engagement activity.

At the time of writing, PIMCO and LGIM have not provided engagement examples specifically related to the investment funds held by the Plan. The Trustee's investment adviser, Aon, has engaged with both managers to encourage that they report on engagement activities in line with peers. Aon and the Trustee expect to see improvements in both PIMCO and LGIM's reporting next year. The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement.

Plan Stewardship Policy Summary

The below bullet points summarise the Plan Stewardship Policy in force over the majority of the reporting year to 31 March 2022.

The full SIP can be found here: [Lookers - Pension Plan (lookerspension.co.uk)]

Extract from SIP – Stewardship

- *The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as ultimately this creates long-term financial value for the Plan and its beneficiaries.*
- *The Trustee regularly reviews the continuing suitability of the Plan's appointed investment managers and takes advice from their investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed investment managers. If an incumbent investment manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee will undertake to engage with the investment manager and seek a more sustainable position but may look to replace the investment manager.*

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Plan Stewardship Policy Summary (continued)

- *The Trustee reviews the stewardship activities of its investment managers on a regular basis, covering both engagement and voting actions. The Trustee will review the alignment of its policies to those of the Plan's investment managers and ensure its investment managers, or other third parties, use its influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.*

Plan stewardship activity over the year

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a monitoring report being provided to the Trustee by Aon. The reports include ESG ratings and highlight any areas of concern, or where action is required. The ESG rating system is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Manager Appointments

The Trustee finalised a formal review of the Plan's appointed investment managers in April 2021, with a specific focus on the managers ability to evaluate and subsequently integrate ESG considerations in the investment process. The Trustee concluded that the appointed managers/funds were appropriately incorporating ESG risks in the investment process but identified an opportunity to switch the Plan's holding with PIMCO to a similar PIMCO mandate where there was evidence that ESG considerations were at the forefront of the investment process. The switch was actioned in July 2021 at no cost and with no change to the overall investment strategy of the Plan.

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Voting and Engagement activity - Equity fund

In this section there is a summary of voting information and examples of significant voting activity for the Plan's equity manager, Legal & General Investment Management ("LGIM"). The investment manager provided examples of 'significant' votes they participated in over the period. Each manager has their own criteria for determining whether a vote is significant. Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g. more than 15%) went against the management's proposal.
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting.
- a vote that is connected to wider engagement with the company involved.
- a vote that demonstrates clear and considered rationale.
- a vote that the Trustee considers inappropriate or based on inappropriate rationale.
- a vote that has significant relevance to members of the Plan.

The Trustee consider a significant vote as one which the voting manager deems to be significant.

Legal & General Investment Management (''LGIM'') - Developed Balanced Factor Equity Index Fund

Voting

LGIM's Investment Stewardship team uses proxy voting adviser Institutional Shareholder Services ("ISS"), to execute votes electronically and for research. LGIM also receives research from Institutional Voting Information Service ("IVIS"). This augments LGIM's own research and proprietary ESG assessment tools. LGIM does not outsource any part of the voting decisions to ISS. LGIM has a custom voting policy in place with ISS. This seeks to uphold what LGIM considers to be best practice standards companies should observe. LGIM can override any voting decisions based on their voting policy if appropriate. For example, if engagements with the company have provided additional information.

The table below shows the voting statistics for LGIM's Developed Balanced Factor Equity Index Fund for the year to 31 March 2022.

Developed Balanced Factor Equity Index Fund over year to 31 March 2022	
Number of resolutions eligible to vote on over the year	11,660
% of resolutions voted on for which the fund was eligible	99.84%
Of the resolutions on which the fund voted, % that were voted against management	19.11%
Of the resolutions on which the fund voted, % that were abstained from?	0.19%

Source : LGIM

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Engagement Policy Implementation Statement ('EPIS') (continued)

Voting Example: Target Corporation

In June 2021, LGIM voted against a resolution to elect the Chief Executive Officer ("CEO") of retailer Target Corporation to the role of Chair of the company's board as well. It is LGIM's policy to advocate for the separation of CEO and board chair roles. LGIM believes these two roles to be substantially different, requiring distinct skills and experiences due to risk management and oversight. Further, LGIM expects a CEO or non-executive director not to hold too many board positions to ensure they can undertake their duties effectively. 93.7% of shareholders voted in favour of the resolution. LGIM considered this vote to be significant because it is an example of how it applied and escalated its voting policy on the topic of combined board chair and CEO role.

Voting Example: Apple Inc.

In March 2022, LGIM voted in favour of a resolution to report on civil rights audit for an IT company Apple Inc. LGIM voted in this way because it supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies. The outcome of the vote was 53.6% in favour. LGIM deemed this vote significant as it views gender diversity as a financially material issue for their clients, with implications for the assets they manage on clients' behalf.

Engagement

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public Policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

LGIM monitors several ESG subjects and conducts engagement on various issues. Its top five engagement topics are climate change, remuneration, diversity, board composition and strategy. LGIM's engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients.

More information can be found on LGIM's engagement policy here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

At the time of writing, LGIM had not provided engagement examples for the fund. Aon has engaged at length with LGIM regarding its lack of strategy level engagement reporting. LGIM has confirmed it is working towards producing this in the second half of 2022.

Engagement Example: (firm level)

Over 2021, LGIM engaged with several companies on the topic of antimicrobial resistance. Antimicrobial resistance occurs when bacteria, viruses, fungi and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease. LGIM states that the overuse and inappropriate use of antimicrobials in human activities are often linked to antimicrobial agents getting into the ecosystem. In particular, water sanitation systems have not been designed to address antimicrobial resistance.

LGIM reached out to 20 water utility companies through an open letter to understand if they were aware of the issue of antimicrobial resistance and if they plan to introduce monitoring systems to detect agents such as antibiotic-resistant bacteria. LGIM also had meetings with some of the companies and found that awareness of antimicrobial resistance was generally low. LGIM believed this was due to the lack of regulatory requirements and little perception of the potential business risks.

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After these engagements, LGIM found several investee companies were considering their approach to antimicrobial resistance. In particular, one utility company sought to understand what happens to contaminants in its wastewater treatment process and implemented a programme to try to understand improvements it could make to its systems.

Engagement Activity – Fixed Income Funds

The Plan also invested in two fixed income strategies.

While voting rights are not applicable to non-equity mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and so debt issuers have a vested interest to make sure that investors are happy with the issuer's strategic direction and policies. Whilst upside potential may be limited in comparison to equities, downside risk mitigation and credit quality are critical parts of the investment decision-making process.

The following examples demonstrate some of the engagement activity being carried out on behalf of the Plan over the year.

PIMCO Global Libor Plus Bond Fund

Engagement

As one of the largest bondholders in the world, PIMCO has a large and important platform to engage with issuers to drive meaningful change on sustainability dimensions. Engagement is an essential tool for delivering impact in ESG investing – PIMCO believes that ESG investing is not only about partnering with issuers that already demonstrate a deeply unified approach to ESG, but also about engaging with those with less advanced sustainability practices. This can be a direct way for PIMCO to influence positive changes that may benefit all stakeholders, including investors, employees, society, and the environment.

PIMCO aims to have an industry leading engagement program within fixed income asset managers. By investing across a diverse asset class and group of issuers, PIMCO is ideally positioned to drive greater change than through exclusions or evaluations alone. PIMCO identifies the top three to five ESG topics for each company based on its internal ESG assessment, external ESG data, research by NGOs and expertise input from collaborative initiatives. PIMCO initiates engagement by setting up meetings or calls with the company with specific questions identified as material. The goal is to maintain a constructive and ongoing dialogue by providing specific recommendations and references and setting regular follow-ups where appropriate. PIMCO also leverages collaborative engagement to amplify its reach and reinforce the message. When appropriate, the team also requests meetings with management and/or board members and ensures that the stewardship is well communicated across the firm.

Engagement Example: (firm level): Anonymous bank

In 2021, PIMCO engaged with a bank about the environment, transparency of reporting and greenhouse gas emissions. PIMCO's discussion with the bank was focused on its current policies and practices on climate disclosure and exposure.

As a result of the engagement, the bank set a net zero commitment, and is expected to communicate a greenhouse gas reduction target by end the 2022. Furthermore, the bank is integrating climate risk within its risk management framework. It is also performing in-depth due diligence on its clients that are most carbon intensive. PIMCO also encouraged the issuer to incorporate supply chain traceability in its due diligence and expand its expectations of no deforestation throughout its value chain. PIMCO plans to follow up with the bank on its progress.

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Engagement Policy Implementation Statement ('EPIS') (continued)

BlueBay Asset Management ("BlueBay") Total Return Diversified Credit Fund

Engagement

BlueBay believes that providers of debt have a role in engaging with issuers on matters with the potential to impact investment returns. Given BlueBay's approach of not automatically excluding issuers from investment based on their ESG performance, actions to mitigate ESG risks are raised with investments teams where appropriate. As part of the routine investment research process, their investment teams meet issuers/borrowers (particularly with primary issuances) and are able to raise questions, including on ESG related matters and those related to climate change where this is perceived to be investment-material. As well as issuer-level engagement, engagement also occurs at the sector, issue/thematic level or industry level. BlueBay may proactively initiate dialogue with issuers on ESG matters, or reactively in response to an external event or development. This is particularly relevant where there is a significant incident, and they wish to gain greater understanding around how it came to pass and what measures are being implemented as a result. Engagement activities may occur bilaterally, but this can also be undertaken in collaboration with other investors. This can be the case where there is a collective focus on a specific issue/theme, either within a sector or more broadly where change is being sought and partnering with others could increase the effectiveness of the engagement effort.

In terms of the mechanism through which BlueBay might engage, this can be through various modes such as letters or meetings, both unilateral and with other investors, depending on the nature of engagement and which BlueBay deem to be the most effective and appropriate for the outcome they wish to achieve.

Engagement Example: Barclays

In 2021, BlueBay engaged with Barclays. Barclays have created its own internal methodology to track, and measure financed emissions. When engaging with Barclays, BlueBay expressed the need for the financed emissions numbers to be robust and transparent. By 2025 Barclays are targeting power portfolio emissions reductions of 30% and energy of 15%. In addition, it is aiming for £100bn of green financing by 2030. Over 2021 BlueBay engaged several times with Barclays, sometimes on a one-to-one basis with the CFO, to influence its adoption of net zero and interim targets, and in particular to increase transparency around emissions within their lending portfolio.

These engagements were successful with Barclays now being formally committed to a number of ESG measures being included within their lending book. BlueBay also made it clear that in terms of energy/fossil fuels lending Barclays would need to show very clear progress against transparent benchmarks, which Barclays agreed with.

Approved by the Trustee of the Lookers Pension Plan on 26 October 2022.