Engagement Policy Implementation Statement
Bank of China Pension & Life Assurance Plan ("the Plan")

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 Trustees produce an annual statement called an Engagement Policy Implementation Statement ("EPIS") which outlines the following:

- The extent to which the Trustees have followed their engagement policy which is set out in the Statement of Investment Principles (SIP).
- The voting behaviour by or on behalf of the Trustees (including the most significant votes cast) over the year and state any use of third party proxy voting services.

The EPIS has been prepared by the Trustees and covers the year 1 January 2021 to 31 December 2021.

Stewardship policy

The Trustees delegate responsibility for exercising voting rights to the underlying investment managers. The extent to which Environmental, Social or Governance ("ESG") considerations are considered in the selection, retention and realisation of investments has been delegated to the fiduciary manager, Aon Investment Limited (AIL) as well as the underlying investment managers.

The latest SIP can be found at this website:

https://www.bankofchina.com/uk/aboutus/ab5/202009/t20200923_18448205.html

Trustees' activity over the year

Over the year, the Trustees received topical updates from their investment consultant on Responsible Investment (RI) matters. They also received and reviewed the Annual Stewardship Report from their fiduciary manager and engagement examples from the underlying managers as part of the development of this EPIS disclosure.

The Trustees note the evolution of the Environmental, Social and Governance (ESG) ratings process by the fiduciary manager with regards assessment criteria and rating levels, and the introduction of new investment strategies with explicit RI objectives.

Engagement activity – fiduciary manager

AIL manage the Plan's assets in a range of funds which can include multi-asset, multi-manager and specialist third party liability matching funds. AIL selects the underlying investment managers to manage the investments on behalf of the Trustees.

AIL have undertaken a considerable amount of engagement activity over the year. AIL held several ESG focussed meetings with the underlying managers across all its strategies. At these meetings, AIL discussed ESG integration, and voting and engagement activities undertaken by the investment managers, allowing AIL to form an opinion on each manager's relative strengths and areas for improvement. AIL provided feedback to the managers following these meetings with the goal of lifting the standard of ESG integration across its portfolios. AIL continues to execute its ESG integration approach and engage with managers.

In Q3 2021, AIL were confirmed as signatories to the UK Stewardship Code. With one-third of applicants failing to reach signatory status, this achievement confirms the strength and relevance of stewardship activity by AIL. For further details, please see the submission report here:

https://www.frc.org.uk/getattachment/b9002ca0-3beb-40e6-8b09-375661ccd193/Aon-UK-Stewardship-Code-2020-Report.pdf

Engagement example

In October 2021, AIL engaged with an underlying fixed income manager. The manager has already set up effective models to analyse various ESG data points, identify securities which are outliers or associated with controversial activity. The manager also shares examples of engagement activity and literature on ESG issues. AIL identified that the manager needed to translate these into clearer policies which would lead to better engagement decisions. AIL conveyed industry best practice, highlighting the benefit of developing a process for carrying out thematic engagements and greater formalisation for climate risk engagement.

Voting and engagement activity – underlying investment managers

The Trustees are invested in a number of underlying equity, fixed income and liquid alternative funds within the AIL arrangement. This section provides an overview of the voting (where applicable) and engagement activities of some of the most material managers over the reporting period.

Equity managers

Over the year, the material equity investments held by the Plan were:

Investment manager	Fund
Legal and General Investment Management Limited ("LGIM")	Multi Factor Equity Fund
BlackRock	Emerging Markets Equity Fund

The investment managers provided examples of 'most significant' votes they participated in over the period. Each manager has their own criteria for determining whether a vote is significant. The Trustees consider a significant vote as one which the voting manager deems to be significant. Examples of what might be considered a significant vote include:

- 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 Trustees consider inappropriate or based on inappropriate rationale;
- a vote that has significant relevance to members of the Plan.

<u>LGIM – Multi Factor Equity Fund</u>

Voting policy

LGIM uses proxy voting adviser Institutional Shareholder Services ("ISS") to execute votes electronically and for research. This augments LGIM's own research and proprietary ESG assessment tools. LGIM do 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 the voting policy if appropriate. For example, if engagements with the company have provided additional information. The table below shows the voting statistics for the LGIM Multi Factor Equity Fund for the year to 31 December 2021.

Number of resolutions eligible to vote on over the period	10,329
% of resolutions voted on for which the fund was eligible	99.9%
Of the resolutions on which the fund voted on, % that were voted against management	19.1%
Of the resolutions on which the fund voted, % that were abstained	0.1%

Voting example

In June 2021, LGIM voted against a resolution to elect the CEO of retailer Target Corporation to the role of Chair of the company's board. 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.

Engagement policy

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. It's 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:

https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf.

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 believes that the over and inappropriate use of antimicrobials in human activities is often linked to the uncontrolled release of antimicrobial agents 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.

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.

BlackRock – Emerging Markets Equity Fund

Voting policy

BlackRock's proxy voting process is led by its Investment Stewardship team. Voting decisions are made by the Investment Stewardship team with input from investment colleagues. BlackRock's voting decisions are informed by its voting guidelines, its engagements with companies, and research on each underlying company. BlackRock reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the year.

BlackRock subscribes to research from the proxy voting advisers ISS and Glass Lewis. BlackRock uses the research and its own analysis to identify companies where additional engagement would be beneficial. BlackRock does not routinely follow the voting recommendations of its proxy voting advisers. The table below shows the voting statistics for BlackRock's Emerging Markets Equity Fund for the year to 31 December 2021.

Number of resolutions eligible to vote on over the period	28,844
% of resolutions voted on for which the fund was eligible	100%
Of the resolutions on which the fund voted on, % that were voted against management	9%
Of the resolutions on which the fund voted, % that were abstained	4%

Voting example

In June 2021, BlackRock voted against a proposal from the management of Huadian Power International ("Huadian International"), a Chinese energy company. The proposal sought to reorganize its wind and solar power portfolio by transferring all related assets into a dedicated renewable energy entity, of which the majority is controlled by its parent company, Huadian Group. In exchange Huadian International would receive a minority stake in the renewable energy entity.

BlackRock voted against the proposal because it was concerned about the conflict of interest between Huadian International and its parent company. The proposal would prevent Huadian International from investing in wind or solar power projects, to avoid it being in competition with the majority shareholder, Huadian Group. In BlackRock's view, the transaction would disadvantage the minority shareholders of Huadian International by preventing them from participating in China's renewable energy market. Despite BlackRock's vote, the proposal passed with a majority vote.

Engagement policy

BlackRock considers engagement to be at the core of its stewardship efforts. It enables BlackRock to provide feedback to companies and build a mutual understanding about corporate governance and sustainable business practices. Each year, BlackRock sets engagement priorities to focus on, such as governance and sustainability issues that it considers to be most important for companies and its clients.

BlackRock's priorities reflect an emphasis on board effectiveness and the impact of sustainability-related factors on a company's ability to generate long-term financial returns. BlackRock Investment Stewardship ("BIS") team's stated key engagement priorities include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, company impacts on people.

More information can be found here:

https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf

Engagement example (firm level)

BlackRock has engaged with Vale S.A. ("Vale"), a Brazilian mining company, since 2019. In January 2019, a tailings dam at one of Vale's iron ore mines collapsed and killed approximately 270 people. Tailings dams are used to store water and waste that are by products from the mining process. The collapse also caused significant environmental damage.

Over the course of 2020 and 2021, BlackRock held frequent engagements with Vale. Vale provided updates on the dam collapse, including the status of the investigation and the final settlement. Vale provided additional context on the frequent public announcements about: 1) the steps taken to strengthen risk management and governance policies to ensure the safety of people and operations; and 2) the remediation measures regarding the environmental damage and socio-economic impact on the local community.

BlackRock's engagements with Vale also focused on board effectiveness and sustainability. It shared its expectations of board quality including composition, diversity, and independence. BlackRock also discussed the company's sustainability disclosures and carbon emissions reduction targets.

Fixed income managers

Whilst voting rights are not applicable to non-equity mandates, the Trustees recognise that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and therefore a vested interest on the part of debt issuers is to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited in comparison to equities, downside risk mitigation and credit quality is a critical part of investment decision-making.

For example, Robeco engaged with the bank, Barclays, regarding its culture and risk governance over several years. The purpose was to gain a better understanding of the risks banks face by analysing the most material governance issues of the banking system.

The engagement started in 2017 and in 2020 Robeco decided to extend the engagement program by another year, as events, such as widespread problems around money laundering and ongoing regulatory investigations, had slowed down progress.

Robeco felt that the culture at Barclays was a key area for improvement and Barclays did a lot of work to improve this. For example, the bank regularly reports the importance of behaviours to its staff and tries to foster an open culture. The bank's approach to financial crime is also now largely in line with other European banks. Robeco closed this engagement successfully in Q4 2021.

Liquid alternative managers

The Trustees invest in a number of alternative strategies through their arrangement with AIL. These include managed futures, insurance linked securities, defensive equities, gold and listed property.

The Trustees recognise that the respective investment processes and often illiquid nature of the alternative investments may mean that stewardship is potentially less applicable or may have a less tangible financial benefit. Nonetheless, the Trustees still expect that all their managers to open a dialogue to engage with issuers/companies they invest in should they identify concerns that may be financially material.

Other asset classes

The Trustees have investments in other asset classes such as cash and UK government bonds. Stewardship is not materially applicable to these asset classes and hence this statement does not disclose stewardship activity in relation to these holdings.

Conclusion

The Trustees are of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that most of its investment managers were able to disclose strong evidence of voting and/or engagement activity.

The Trustees expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes through considered voting and engagement.