

Nortel Networks UK Pension Plan

Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the period 31 March 2020 to 30 September 2021.

The SIP is a document drafted by the Trustee in order to help govern the Plan's investment strategy. It details a range of investment-related policies alongside the relevant actions taken by the Trustee in connection with each of these policies.

This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and guidance published by the Pensions Regulator.

Investment Objectives of the Plan

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The Trustee's primary objective is to follow a low-risk strategy and to maintain the type of assets that would move approximately in line with annuity prices in order to secure members' future benefits.

Policy on ESG, Stewardship and Climate Change

The Plan's SIP includes the Trustee's policy on Environmental, Social and Governance ("ESG") factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in June 2021. The Trustee keeps their policies under regular review with the SIP subject to review at least triennially.

The following work was undertaken during the eighteen months to 30 September 2021 relating to the Trustee's policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the period.

Engagement

Over the eighteen months to 30 September 2021, the Plan's assets were invested in gilt-based Liability Driven Investment ("LDI") multi-client pooled funds, multi-client pooled liquidity funds and cash. As the Plan invests in pooled investment vehicles, the Trustee accepts that it has no direct ability to control the level of ESG integration and engagement of the underlying assets and therefore its activity is focused on oversight.

The Trustee and its advisors engage with the investment managers on ESG issues, where relevant, and monitor investment managers' engagement. The Trustee requested details of relevant engagement and ESG integration activity for the year from the Plan's investment managers, a summary is as follows:

- LDI funds:
 - RPI Reform: Insight liaised with pension schemes, insurers and investment advisors encouraging their engagement with policymakers regarding the RPI reform consultation. In March 2020 Insight wrote to the Chancellor and the Chair of the UK Statistics Authority urging that the consultation deadline, then set for 22 April 2020, be extended given the unprecedented backdrop caused by the coronavirus pandemic. The deadline was subsequently pushed back to 21 August 2020.
 - ESG in LDI: In 2020, Insight established a LDI working group with a specific remit to focus on responsible investment issues for the LDI mandates they manage. Insight engaged directly with the UK Debt Management Office on the proposed issuance of green gilts.
- Liquidity fund:
 - Insight changed their approach to exclude investments in tobacco and fossil fuels in their cash and liquidity funds. Insight also continue to exclude defence from these funds.

The Trustee requested that the investment managers in place over the eighteen months to 30 September 2021 confirm compliance with the principles of the UK Stewardship Code. Insight and BlackRock confirmed that they submitted the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020. BlackRock are currently signatories of the UK Stewardship Code, however, over the course of 2021 the Plan fully disinvested the residual assets managed by BlackRock. Insight have advised that they were informed on 1 September 2021 by the Financial Reporting Council (FRC) that Insight have been unsuccessful in their submission. Insight have confirmed that they have addressed the issues raised and provided the FRC with a revised submission to the FRC.

The Plan's asset valuation is reviewed by the Trustee on a monthly basis. Separately, the investment consultant produces ratings which provide an assessment of performance and ESG credentials, if there were a change in either rating it would be

flagged by the investment consultant to the Trustee for further consideration and possible action.

Voting Activity

During the eighteen months to 30 September 2021, there were no investor votes under the Plan's investment mandates and therefore the managers did not exercise any voting rights on behalf of the Trustee. This is in line with expectation given the investment strategy is comprised solely of gilt-based LDI and liquidity funds.