

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 to 31 March 2023.

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 2022. The Trustee keeps their policies under regular review with the SIP subject to review at least triennially.

The following work was undertaken during the period to 31 March 2023 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 year.

Engagement

Over the period to 31 March 2023, 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 manager on ESG issues, where relevant, and monitor investment manager's engagement. The Trustee requested details of relevant engagement and ESG integration activity for the year from the Plan's investment manager, a summary is as follows:

Engaging with the UK DMO on green gilt issuance (LDI funds):

- Insight conducted several engagements with the UK government's DMO during 2022.
- Insight discussed issues across a wide range of sustainability related topics including: encouraging the DMO to increase the frequency of impact reporting on green gilts, the DMO's intentions regarding sustainability-linked bonds and the uncertainty of institutional investors' fiduciary duty and how this challenges for allocations to green gilts.
- Insight were not satisfied with the outcomes of these engagements, particularly in relation to the frequency of impact reporting, which they have subsequently downgraded UK government's green gilt issuance from an ESG perspective.
- Insight have confirmed that they would continue to engage with the DMO on a wide range of topics, including ESG.

The Trustee requested that the investment manager in place over the period to 31 March 2023 confirm compliance with the principles of the UK Stewardship Code. Insight confirmed that they are signatories of the UK Stewardship Code.

The Plan's investment allocation 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 period to 31 March 2023, there were no investor votes under the Plan's investment mandates and therefore the manager 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.

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote". Given there were no votes over the period, and no votes are expected to be cast in relation to the Plan's investments going

forwards, the Trustee have not reported on their policy in relation to what constitutes a significant vote.