

CBS Broadcast Services Limited Pension Fund – Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the engagement policies in the Statement of Investment Principles (“SIP”) produced by the Trustees have been followed during the year to 31 October 2020. 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 (as amended) and the guidance published by the Pensions Regulator.

Investment Objectives of the Fund

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Fund included in the SIP are to invest the Fund’s assets in the best interest of members, and their main objectives with regard to investment policy are:

- To achieve a return on the Fund’s assets over the long term that is consistent with the assumptions made by the Scheme Actuary in determining the funded status of the Fund.
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due.
- To consider the interests of ViacomCBS in relation to the size and volatility of contribution requirements.

Policy on ESG, Stewardship and Climate Change

The Fund’s SIP includes the Trustees’ policy on Environmental, Social and Governance (‘ESG’) factors, stewardship and Climate Change. This policy sets out the Trustees’ beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by their investment consultant on responsible investment, which covered ESG factors, stewardship, climate change and ethical investing. This training was provided in May 2019. The updated policies were incorporated into the SIP in September 2019. In September 2020, the Trustees discussed and considered ESG friendly funds as part of an investment strategy review.

The Trustees keep their policies under regular review with the SIP subject to review at least annually.

The following work was undertaken during the year relating to the Trustees' 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

As set out in the SIP, the Trustees have given the investment manager full discretion in evaluating ESG factors, including climate change considerations. The Trustees also consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers.

The Trustees have reviewed the investment manager's compliance with the principles of the UK Stewardship Code as part of this statement and will continue to do so annually. Legal and General Investment Management ("LGIM") confirmed that they are signatories of the current UK Stewardship Code and plan to submit 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.

The Trustees also reviewed details of relevant engagement activity for the year from the investment manager. The voting and engagement policies and activities are most relevant for the mandates where equities are held directly.

LGIM, provided examples of instances in which they engaged with companies they were invested in which resulted in a positive outcome:

- In 2019, LGIM engaged with 493 companies and voted on 50,900 resolutions, opposing the election of more than 4,000 company directors and 35% of pay packages globally.
- LGIM launched 14 funds with ESG-linked objectives, bringing LGIM to £150bn in responsible investment strategies.
- LGIM targeted 72 US companies for engagement over the past 3 year, where 51 of these have now appointed at least one woman to their board.
- From 2020, LGIM promised to vote against all combined CEO and board chairs appointments.

The investment performance report is reviewed by the Trustees every quarter – this includes ratings (both general and specific ESG) from the Investment Consultant. LGIM remained generally highly rated during the year and are the only passive manager graded "A" by Mercer (the highest rating) for ESG integration into their investment processes. When implementing a new manager the Trustees would consider the ESG rating of the manager. The investment performance report includes how the investment manager is delivering against their specific mandates.

Voting Activity

The Trustees have delegated their voting rights to the investment manager.

Where applicable, the Trustees expect the Fund's investment manager, unless impracticable, to exercise all voting rights attaching to shares or securities and take account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. The manager is authorised to exercise discretion to vote as they think fit, but in doing so reflect the best interests of the Fund.

The investment manager, where relevant, is expected to provide voting summary reporting on a regular basis, at least annually. As noted in the previous section, the voting and engagement policies and activities are most relevant for the mandates where equities are held directly.

The Trustees do not use the direct services of a proxy voter.

Over the year to 30 September 2020, the key voting activity on behalf of the Trustees is as follows:

- LGIM – FTSE RAFI All World 3000 Equity Index Fund and FTSE RAFI All World 3000 GBP Hedged Fund
 - LGIM retains the services of a third party (ISS) for proxy voting services and votes at all meetings where it is deemed appropriate and responsible to do so.
 - As both funds hold identical underlying assets, differing only by hedging, the following voting statistics over the year are applicable to both. LGIM were eligible to vote at 3,939 meetings with 46,499 resolutions. LGIM voted on 99.5% of the 46,499 resolutions they were eligible to vote on over the year, and voted against management at least once at 71% of the meetings, equating to 18% of the resolutions.
 - There were no significant votes made in relation to the securities held by either fund during the reporting period.

Over the prior 12 months, the Trustees have not actively challenged the managers on their voting activity; however, they may consider doing so in future.

For and on behalf of the CBS Broadcast Services Limited Pension Fund

January 2021