

Appendix A – Implementation Statement

Engagement Policy Implementation Statement (“EPIS”)

Air Canada UK Pension Trust Fund (the “Fund”)

Scheme Year End – 31 December 2022

The purpose of the EPIS is for us, the Trustee of the Air Canada UK Pension Trust Fund, to explain what we have done during the year ending 31 December 2022 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Fund’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In December 2021, we secured an annuity policy with the Pension Insurance Corporation (“PIC”). Hence, most of the Fund’s assets are invested in PIC as an annuity policy. The remaining holdings are invested with BlackRock in the form of government bonds and money market instruments.

This EPIS does not disclose stewardship information on investments in gilts or cash due to the limited materiality of stewardship of these asset classes.

Appendix A – Implementation Statement (continued)

How voting and engagement policies have been followed

The majority of the assets are invested in the annuity policy underwritten by PIC (the Insurer). During the Scheme year, the Fund fully redeemed from the LGIM Sterling Liquidity Fund. The Fund's remaining assets are invested in BlackRock's Sterling Liquidity Fund, Gilts, and Index-linked Gilts. We acknowledge the limited materiality of stewardship for the residual assets that remain invested with BlackRock.

Further this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Fund's assets that are held as AVCs.

The Fund's stewardship policy can be found in the SIP: Air Canada UK Pensions Trust Fund (<https://www.psgovernance.com/communications/Air-Canada.html>)

Our Engagement Action Plan

The responsibility for managing arrangements with underlying investment managers lies with the Insurer. This responsibility may include ensuring that arrangements with appointed asset managers are aligned to achieving the long-term objectives of the Insurer; as well as having appropriate performance, costs (including turnover costs), and remuneration monitoring with respect to the appointed asset managers. In addition, we expect that the Insurer uses its influence and purchasing power (where possible) to ensure that Environmental, Social, and corporate Governance ("ESG") factors, including climate change, are appropriately considered by underlying investment managers and financial counterparties.

We have limited ability to incentivise the Insurer to align its investment strategy and decisions with our policies in relation to stewardship, corporate governance, and responsible investment. However, given the nature of the buy-in policies, such as the annuity purchased by the Fund, we believe that the Insurer is appropriately incentivised to make decisions relating to the medium and long-term financial and non-financial factors which may influence performance.

We recognise our responsibilities as a steward of investment capital; however, in endeavouring to invest in the best financial interests of the beneficiaries, we elected to purchase the annuity and recognise that we cannot, therefore, directly influence the ESG integration nor stewardship policies and practices of the Insurer.

Should we be provided with any opportunity which we deem appropriate to incentivise our managers and the Insurer concerning these areas, we will consider this and take reasonable steps. We were unaware of any such opportunity during the Fund year in scope.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI