

# Engagement Policy Implementation Statement

## Institution of Engineering and Technology Superannuation & Assurance Scheme

### Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. These regulations require that the Trustees produce an annual statement which outlines the following:

- How and the extent to which the Trustees have followed their engagement policy which is set out in the Statement of Investment Principles (“SIP”).
- Describes the voting behaviour by or on behalf of the Trustees (including the most significant votes cast) during the Scheme year and states the use of any third-party provider of proxy voting services.

This Engagement Policy Implementation Statement (“EPIS”) has been prepared by the Trustees of the Institution of Engineering and Technology Superannuation & Assurance Scheme (the “Scheme”) and covers the Scheme year to 31 March 2022.

### Stewardship policy

The below provides a summary of the stewardship policy. The full SIP can be found here ([click here](#)).

- The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.
- The Trustees review the stewardship activities of their asset managers on an annual basis, covering both engagement and voting actions. The Trustees will review the alignment of the Trustees’ policies to those of the Scheme’s asset managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustees’ rights and duties as a responsible shareholder and asset owner.
- The Trustees will engage with their investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

### Stewardship activity over the year

The Trustees receive, on a quarterly basis, monitoring reports from their investment consultant. These reports include ESG ratings for each underlying manager, designed to assess whether the underlying investment managers integrate RI and more ESG considerations into their investment decision making process.

In May 2021, the Trustee had a responsible investment training session with their investment advisor which covered a range of topics such as responsible investment industry developments, regulatory requirements and investment options. It was agreed that additional ESG reporting would be included in quarterly meeting packs, an action which has since been implemented.

The Trustees received further training in December 2021. The Trustees completed Aon’s Responsible Investment Survey which helped to facilitate a discussion on responsible investment views and beliefs. The Trustees are currently considering the merits of a more environmentally aware version of the money market fund that they invest in.

The Trustees met with their investment managers over the year and received updates from them on ESG and responsible investment matters. The investment managers have provided voting statistics and voting and engagement examples to assist with the preparation of this statement.

## Manager voting and engagement

A large portion of the Scheme's assets are invested in bulk annuities and Liability Driven Investment, which do not readily lend themselves to stewardship activities. The Trustees believe that they should be responsible stewards of capital, but also recognise that less than 10% of the Scheme's overall assets have voting rights which means their ability to positively influence companies through voting is limited. The Trustees are further limited in this respect since they only invest in pooled fund arrangements held in common with other investors, which means that the Trustees do not have the ability to decide which securities are invested in, or to direct how the investment managers vote in any specific instance.

### BlackRock

During the reporting period, the Scheme invested in the following passive global equity mandates managed by BlackRock:

BlackRock	Global equity fund (currency hedged)
	Global equity fund
	UK equity fund

Blackrock have provided examples of 'significant' votes it participated in over the period. Examples of what might be considered a significant vote are:

- 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;
- Where there is a connection to wider engagement with the company involved;
- Where a vote demonstrates clear and considered rationale.

### *Voting policy*

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team ("BIS"). Voting decisions are made by members of the BIS team with input from investment colleagues as required, in accordance with BlackRock's global principles and market-specific voting guidelines.

BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services ("ISS") and Glass Lewis. It is one of many inputs into BlackRock's voting analysis process, and BlackRock do not routinely follow the recommendations of its proxy advisers on how to vote. BlackRock primarily uses the research from its proxy advisory firms to identify companies where additional research and engagement would be beneficial. Other sources of information BlackRock use include the company's own reporting, BlackRock's engagement and voting history with the company, and public information and ESG research.

The table below shows the voting statistics for BlackRock's funds for the year to 31 March 2022.

<b>BlackRock</b>	Number of resolutions eligible to vote on over the period	% of resolutions voted on for which the fund was eligible	Of the resolutions on which the fund voted, % that were voted against management	Of the resolutions on which the fund voted, % that were abstained from
Global equity fund (currency hedged)	24,777	99%	8%	0%
Global equity fund	37,914	99%	7%	1%
UK equity fund	4,860	99%	6%	1%

Source: BlackRock

### *Significant vote example*

In September 2021, BlackRock voted against the election of Mr. Ashjayeen Sharif's self-nomination as a director of the Australian energy company, AGL Energy Ltd. ("AGL"). Mr Sharif is a student at the University of Melbourne and an active leader in the School Strike for Climate movement. While BlackRock believes that it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking, BlackRock supports the Board's view that Mr. Sharif's current skill set and experience are not yet suited to add to the effectiveness of the Board.

Further, the Board has announced that it is undertaking succession planning and seeking to appoint an ESG specialist in 2022. BlackRock will continue to engage with the Board to discuss new director appointments and determine if future proposed candidates offer the experience and skills that would enhance the Board's quality and effectiveness.

Following the vote, Mr Sharif was not elected as a director.

### *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's stated key engagement priorities include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, and company impacts on people.

More information can be found here: <https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf>

### *Engagement example*

BlackRock has engaged extensively with Barclays over several years on a range of issues, including board composition and effectiveness, remuneration, business oversight and risk management, climate risk management and corporate strategy and culture.

As a result of the engagement, Barclays has taken a number of steps to address the climate risks and opportunities in its business, including:

- Strengthening its climate governance and risk management by creating a new Executive Committee role responsible for public policy and corporate responsibility, and appointing a Head of Climate Risk;
- Launching its own methodology to measure greenhouse gas emissions and track them at a portfolio level against the goals of the Paris Agreement;
- Enhancing its disclosure aligned with the Task Force on Climate-related Financial Disclosure;
- Making progress against its goal of providing £100 billion of "green financing" (i.e. loans or investments that are used to support environmentally friendly activity) by 2030.

## M&G

The Scheme also invests in a fixed income strategy managed by M&G.

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 so debt issuers have a vested interest to make sure that investors are happy with the issuer's strategic direction and policies. Whilst upside potential may be limited in comparison to equities, downside risk mitigation and credit quality are critical parts of the investment decision-making process.

### *Engagement policy*

M&G developed its engagement process, adopting the Sustainable Accounting Standards Board framework to structure its research and engagement activity, allowing it to incorporate ESG factors into the investment process for its holdings at all stages.

Since 2019, M&G has created a databank of over 600 sector-specific ESG questions, which addresses key material risks and themes as identified by both SASB and its own internal experience of the effects of ESG factors on credit positions. This includes 250 climate related questions and incorporates the Transition Pathway Initiative ("TPI") and World Economic Forum ("WEF") Climate Governance guidelines to further build its capability to identify financially material risks on a sector-by-sector basis.

This helps steer M&G's analysts towards asking the right questions of investee companies dependent on their sector and ensures that when there is a potentially material risk, M&G is able to identify and act on it in an efficient way. Engagement cases can then be easily prioritised and through M&G's hashtag system, which allows its analysts across asset classes to monitor material ESG risks across the capital structure.

Previously, M&G only reported on engagement from an equities perspective, but the Corporate Finance and Stewardship team has more recently begun working closely with M&G's Fixed Income teams to understand their engagement activities, participate in ESG-related engagements and help to coordinate engagements across asset classes where appropriate.

### *Engagement example*

M&G engaged with the consumer credit reporting company, Experian, to discuss concerns around press reports relating to an Information Commissioner's Office (ICO) investigation into a data breach in South Africa and Brazil. M&G met with the company's head of investor relations to discuss these issues and Experian provided a comprehensive repost to the ICO allegations and explained how the claims in Brazil were false. Experian did recognise issues with the South African breach and the company said it was going through processes to fix this by improving the onboarding process for new customers.

## **Conclusion**

The Trustees believe that the stewardship policy has been implemented effectively. The Trustees note that their investment managers were able to disclose evidence of voting and 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 for the Scheme through considered voting and engagement.