

Industry-Wide Mineworkers' Pension Scheme

Engagement Policy Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual statement called an Engagement Policy Implementation Statement ("EPIS") which outlines the following:

- Explain how and the extent to which the Trustee has followed its engagement policy which is set out in the Statement of Investment Principles ("SIP").
- Describe the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Scheme year and state any use of third-party provider of proxy voting services.

The EPIS has been prepared by the Trustee of the Industry-Wide Mineworkers' Pension Scheme (the "Scheme") and covers the Scheme year 1 January 2021 to 31 December 2021.

Executive summary

Based on the activity over the year by the Trustee and its investment managers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that its investment managers were able to disclose evidence of voting and engagement activity.

The Trustee expects 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.

Scheme stewardship policy

The below bullet points summarise the Scheme's stewardship policy in force to the Scheme year to 31 December 2021.

The full SIP can be found here: <http://iwmps.com/media/3953/iwmps-sip-2021.pdf>

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser regarding any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

The Trustee reviews the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Scheme's asset managers and ensure its managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner.

The transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular, where: votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of either the Trustee or the asset manager.

Where voting is concerned, the Trustee expects its asset managers to recall stock lending as necessary in order to carry out voting actions.

Where significant concern is identified, the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Scheme stewardship activity over the year

Stewardship policy

The Trustee recognises the importance of its role as a steward of capital and reviews the stewardship activities of their asset managers on an annual basis, covering both engagement and voting actions, both of which are detailed within this EPIS.

Ongoing monitoring

Investment monitoring takes place on a quarterly basis with a monitoring report being provided to the Trustee by Aon. The reports include Environmental, Social and Governance (ESG) ratings and highlight any areas of concern, or where action is required. The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Manager appointments

The Trustee recognises the importance of reviewing the suitability of the Scheme's investment managers. In Q1 2021 following periods of underperformance, the Trustee as recommended by their adviser, fully redeemed the Scheme's position in Invesco Global Targeted Return fund and reinvested the proceeds with Legal and General Investment Management (LGIM) and PIMCO.

Building on this, the Trustee decided to restructure management of most of the Schemes growth assets. Following a tender exercise, LGIM were the selected manager. The SIP was updated in October 2021 to reflect the new arrangement.

The Transition of growth assets (excluding illiquid assets such as UK Property) commenced on 10 December 2021 and was completed on 25 January 2022.

Engagement activity – Legal and General Investment Management (LGIM) - as manager of most of the Scheme's growth assets

Management of most of the Scheme's growth assets excluding illiquid assets such as property has been delegated to LGIM with the transition beginning on 10 December 2021. Although engagement information has not been provided for this statement due to the limited time as manager of most of the Scheme's growth assets, it has been agreed with LGIM that information will be provided for future statements.

Voting and Engagement activity – Equity funds

Over the year, the material equity investments held by the Scheme were:

Fund manager	Fund
LGIM	UK Equity Index Fund
	North America Equity Index Fund
	Europe (ex UK) Equity Index Fund
	Japan Equity Index Fund
	Asia Pacific (ex Japan) Equity Index Fund
	World Emerging Markets Equity Index Fund

LGIM uses the services of proxy voting organisations for various services that may include research, vote recommendations, administration, and vote execution.

In this section there is a summary of voting information and examples of significant voting activity for the Scheme's relevant manager. The manager has its own criteria for determining whether a vote is significant. Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g. more than 20%) went against the management's proposal
- a vote where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting
- a vote that is connected to a wider engagement initiative with the company involved
- a vote that demonstrates clear and considered rationale
- a vote that the client considers inappropriate or based on inappropriate rationale
- a vote that has significant relevance to members of the Scheme.

Legal and General Investment Management (LGIM)

Voting policy

LGIM makes use of Institutional Shareholder Services ("ISS") proxy voting platform to electronically vote and augment its own research and proprietary ESG assessment tools but does not outsource any part of the strategic decisions. The manager has put in place a custom voting policy with specific instructions that apply to all markets globally, which seeks to uphold what it considers to be minimum best practice standards all companies should observe. LGIM retains the ability to override any voting decisions based on the voting policy if appropriate, for example of engagements with the company have provided additional information. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by the service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This is to ensure a smooth

flow of stewardship throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

Please find voting statistics for the period to 31 December 2021 in the Appendix.

Voting examples

North America Equity Index Fund:

On 27 April 2021, LGIM voted for the shareholder resolution to report on the Racial Equity Audit of Wells Fargo & Company, a financial services corporation. A vote in favour was applied as LGIM supports proposals related to diversity and inclusion policies, as LGIM consider these issues to be a material risk to companies. 12.9% of shareholders supported the resolution. LGIM noted that it will continue to engage with its investee companies, publicly advocate LGIM's position on this issue and monitor company and market-level progress. LGIM deemed this vote significant as LGIM views diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.

UK Equity Fund:

In June 2021, LGIM voted against the resolutions to re-elect Manfred Wennemer as the Director of TI Fluid Systems Plc given the company was not aligned with LGIM's view on gender diversity. LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf. For 10 years, it has been using its position to engage with companies on this issue. It applies voting sanctions to those FTSE 350 companies that do not have a minimum of 30% women on the board. LGIM also applies voting sanctions to the FTSE 100 companies that do not have 30% women on their executive committee (as was the case with TI Fluid Systems Plc). LGIM will continue to engage with the investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Engagement example

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues
2. Formulate the engagement strategy
3. Enhance the power of engagement
4. Public Policy and collaborative engagement
5. Voting
6. Reporting to stakeholders on activity

The manager takes an active role in stewardship and considers it is its duty to be accountable for its clients' assets, to ensure it upholds the highest corporate governance standards and identifies ESG risks and opportunities. It monitors a number of areas and conducts engagements on various issues. LGIM's top five engagement topics/ESG issues are climate change, remuneration, diversity, board composition and strategy.

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually.

LGIM's engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all its clients.

Engagement example (Firm Level Example):

Over 2021, LGIM engaged with a number of companies on the topic of antimicrobial resistance. Antimicrobial resistance occurs when bacteria, viruses, fungi and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease. LGIM states that the overuse and inappropriate use of antimicrobials in human activities are often linked to

the uncontrolled release of antimicrobial agents into the ecosystem. In particular, water sanitation systems have not been designed to address antimicrobial resistance.

LGIM reached out to 20 water utility companies through an open letter to understand if they were aware of the issue of antimicrobial resistance and if they plan to introduce monitoring systems to detect agents such as antibiotic-resistant bacteria. LGIM also had meetings with some of the companies and found that awareness of antimicrobial resistance was generally low. LGIM believed this was due to the lack of regulatory requirements and little perception of the potential business risks.

After these engagements, LGIM found several investee companies were considering their approach to antimicrobial resistance. One utility company sought to understand what happens to contaminants in its wastewater treatment process and implemented a programme to try to understand improvements it could make to its systems.

LGIM believes it is important to promote an enhanced and standardised approach to antimicrobial resistance through influencing the regulatory landscape. As such, it is also working with its peers in the Investor Action on Antimicrobial Resistance initiative.

Engagement activity – Real Estate

The Trustee acknowledges that the ability of property managers to engage with and influence investee companies may be less compared to equity managers. However, it is encouraging to see from the information provided for the EPIS that the manager is aware and active in its role as steward of capital.

The Scheme was invested in the BlackRock UK Property Fund over the year to 31 December 2021. The following section demonstrates some of the engagement activity being carried out by BlackRock over the year.

BlackRock

The UK property fund invests directly in UK real estate. BlackRock reports annually on its property funds to the Global ESG Benchmark for Real Estate (“GRESB”), which aims to assess and benchmark the ESG and other related performance of real assets across the market.

Engagement Example

Sustainability campaigns have been implemented at various properties within the BlackRock UK Property Fund with the aim to engage with tenants on a range of sustainability topics; from energy efficiency and carbon reduction, to sustainable transport and travel, waste management and recycling, wildlife conservation, and health and well-being. Birmingham Business Park (“BBP”) is a large office campus comprising over 1.7m sq ft of office space, spread across 148 acres of mature parkland, and with over 130 occupants, including Rolls Royce, IMI and Goodyear. Ongoing sustainability campaigns, together with quarterly ‘Sustainability Week’ events are now held at BBP and are open to all occupiers, as well as the wider local community.

BlackRock has conducted numerous campaigns and initiatives, a few examples being:

- The establishment of three on site beehives. The ‘BBP Honey’ generated by the bees is sold on site to tenants and visitors, with all proceedings going to local charities.
- On site pond dipping, woodland walks and ‘wildlife awareness’ talks at lunchtimes and after hours.
- The provision of ‘Pool Bikes’, together with on-site cycle storage facilities, for the use of all tenants.

As a result, BBP was awarded the Transport for West Midlands Top Cycling Award and Top Walking Award in 2017 in recognition of the efforts to encourage more sustainable modes of transport for all occupiers and tenants.

Appendix

Voting Statistics for the year ending 31 December 2021

	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
UK Equity Index Fund	9,923	100%	7.23%	0.00%
North America Equity Index Fund	7,846	99.73%	28.98%	0.06%
Europe (ex UK) Equity Index Fund	7,665	99.97%	17.45%	0.37%
Japan Equity Index Fund	5,306	100.00%	13.74%	0.00%
Asia Pacific (ex Japan) Equity Index Fund	3,797	99.92%	21.74%	0.18%
World Emerging Markets Equity Index Fund	31,303	99.79%	16.29%	1.90%

Source: LGIM