

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 which outlines the following:

- Explain how and the extent to which the Trustee has followed their 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.

This document sets out the details, as outlined above. The Engagement Policy Implementation Statement ("EPIS") has been prepared by the Trustee and covers the Scheme year 6 April 2021 to 5 April 2022.

Scheme Stewardship Policy Summary

Summarised below is the Scheme's Stewardship Policy that was in force over the majority of the reporting year to 5 April 2022. The full SIP can be found here:

<https://www.exeter.ac.uk/pensions/erbsscheme>

The Trustee uses passive investment strategies, where the fund manager is required to match the portfolio to a specific benchmark index. Whilst the Trustee does not expect the same degree of engagement as an active investment strategy, the Trustee expects the fund manager's Engagement Policy to continue to apply as the Trustee believes that effective stewardship improves companies' financial performance and hence investment returns.

The Trustee expects the Scheme's investment manager to:

- *Engage with investee companies with the aim to enhance the long-term 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 investment managers and takes advice from the investment adviser with regard to any changes.

Where the Trustee identifies significant concerns relating to performance, strategy, risks, social and environmental impact, corporate governance, the capital structure or management of conflicts of interest, of a fund manager or other stakeholder; it will consider the methods by which it would monitor and engage with such a fund manager or other stakeholders.

Scheme stewardship activity over the year

Stewardship Policy

In line with regulatory requirements to expand the SIP for policies such as cost transparency and incentivising managers, the Trustee reviewed and expanded its Stewardship Policy in August 2020. The SIP notes that whilst the Trustee does not expect the same degree of engagement as an active investment strategy, the Trustee expects the fund manager's Engagement Policy to continue to apply as the Trustee believes that effective stewardship improves companies' financial performance and hence investment returns. It also outlines how the

Trustee would review the suitability of the Scheme's fund manager and other considerations relating to voting and methods to achieve their Stewardship Policy.

The SIP was reviewed in 2021 following strategic changes. The SIP, including the Scheme's Stewardship Policy, is available on a website where it can be accessed by the public.

Cost Transparency Reporting

The Scheme had previously appointed ClearGlass to collate cost transparency information on the Scheme's fund manager for the period 1 July 2019 to 30 June 2020. The ClearGlass cost transparency report was discussed by the Trustee in March 2021.

The Trustees undertook a detailed review of manager fees in early 2021 – with revised reduced fees agreed with the Scheme's existing manager BlackRock. These were effective from 1 April 2021.

The Scheme has appointed ClearGlass to undergo further transparency reporting over the calendar year 1 January 2022 to 31 December 2022. This report will be reviewed by the Trustee once complete.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with monitoring reports being provided to the Trustee by their investment advisor (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 fund 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 conversations with the fund manager, Aon's 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.

In addition to ESG ratings, the Trustee receives a quarterly summary of the MSCI ESG coverage rating and MSCI ESG Quality Score for the ACS ESG Equity Tracker in which it invests. These ratings are compared to the MSCI World Index and movement in the ratings is also monitored. The metrics provide the Trustee with an indication of the ESG risks associated with the holding.

The Trustee also receives annual stewardship information on the monitoring and engagement activities carried out by its fund manager, which helps to support the Trustee in assessing the extent to which the Scheme's Engagement Policy has been followed throughout the year.

Manager Appointments

In March 2021, after considering Responsible Investment and the risks posed by ESG factors and climate change, the Trustees agreed to allocate 10% of the Scheme's assets in the BlackRock ACS World ESG Equity Tracker Fund, which tracks the MSCI World ESG Focus Low Carbon Screened Index. This benchmark index aims to have a higher ESG rating than the MSCI World Index, while also reducing carbon exposure by c.50%. This change was implemented in June 2021.

Voting and Engagement activity

The Scheme invested in the following material BlackRock passive funds over the year:

| Manager | Fund Name | Asset Class |
|-----------|---------------------------------|--------------|
| BlackRock | ACS ESG Equity Tracker | Equity |
| BlackRock | World Ex-UK Equity Index | Equity |
| BlackRock | UK Equity Index | Equity |
| BlackRock | Emerging Markets Equity Index | Equity |
| BlackRock | Corporate Bonds 5-15 Year Index | Fixed Income |

In this section, there is a summary of voting information and examples of significant voting activity for BlackRock. For the purposes of reporting, the Trustee considers a significant vote as one which the voting manager deems to be significant or a vote where more than 15% of votes were cast against management.

In addition, the Trustees note that the investment manager was able to provide evidence of engagement examples at the fund / strategy level being implemented in practice, which provided comfort that the manager was using its ability to influence positive outcomes for the Scheme.

Equity – voting and engagement

Voting

BlackRock's proxy voting process is led by its Investment Stewardship team. Voting decisions are made by the Investment Stewardship team with input from investment colleagues. BlackRock's voting decisions are informed by its voting guidelines, its engagements with companies, and research on each underlying company. BlackRock reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the year.

BlackRock subscribes to research from the proxy voting advisers ISS and Glass Lewis. BlackRock uses the research and its own analysis to identify companies where additional engagement would be beneficial. BlackRock does not routinely follow the voting recommendations of its proxy voting advisers.

BlackRock Equity Funds voting statistics to 31 March 2022

| | ACS ESG Equity Tracker | World Ex-UK Equity Index | UK Equity Index | Emerging Markets Equity Index |
|---|------------------------|--------------------------|-----------------|-------------------------------|
| Number of resolutions eligible to vote on over the period | 4,418 | 24,008 | 10,263 | 33,776 |
| % resolutions voted on for which the fund was eligible | 89.7% | 99.0% | 100.0% | 100.0% |
| % that were voted against management | 6.5% | 7.0% | 5.0% | 11.0% |
| % that were abstained from | 0.7% | 0.0% | 0.0% | 2.0% |

BlackRock Engagement

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, company impacts on people.

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

Fixed Income – Engagement

Whilst voting rights are not applicable to non-equity mandates, the Trustee recognises 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.

BlackRock – Corporate Bonds

BlackRock's credit analysts work with its Investment Stewardship team for joint engagement meetings with companies. Also, BlackRock's Global Fixed Income ESG team work with the Investment Stewardship team to communicate ESG related topics to fixed income investors, and attend or host engagement meetings. BlackRock also explores how factors such as climate change, the fair treatment of workers, and racial and gender equality, among others, are increasingly relevant to a company's business operations

In summary

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

The Trustee expects improvements in disclosures over time in line with the increasing expectations of their fund manager and its significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

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