

# Engagement Policy Implementation Statement (“EPIS”)

## IMI 2014 Deferred Fund (the “Fund”)

### Fund Year End – 31 March 2023

This EPIS documents the actions we have taken as Trustee of the IMI 2014 Deferred Fund during the year ending 31 March 2023 to achieve certain policies and objectives outlined in our Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP on 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 2022, the Trustee secured the remaining uninsured liabilities of the Fund with a bulk annuity provider. The residual invested assets of the Fund are invested in private equity investments, property debt, property and cash.

This EPIS does not disclose significant stewardship information due to the limited materiality of stewardship to these residual assets, the nature of the asset classes and given the relatively small value of the investments.

During the reporting year, the Fund did not hold any significant investments in which there was an opportunity to enact stewardship, including voting rights, in a meaningful capacity.

## How voting and engagement policies have been followed

With the exception of the Liability Driven Investments which the Fund held until December 2022, the assets were invested in pooled funds, so the responsibility for voting and engagement was delegated to the Fund's investment managers. This is in line with our policy.

We reviewed at a high level the stewardship activity carried out over the Fund year by the two bulk annuity providers and the investment managers. More information on the stewardship activity carried out by the Fund's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Fund's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). Quarterly Environmental, Social and Governance ("ESG") ratings were received from Aon where available.

Each year, the Trustee reviews the voting and engagement of the Fund's investment managers to ensure they align with our own policies for the Fund.

The Fund's stewardship policy can be found in the SIP: <https://www.imipensions.co.uk/other-information/imi-2014-deferred-fund>. During the year, the SIP and stewardship policy were reviewed by the Trustee.

## Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

At the time of writing, the following managers did not provide all the information we requested:

- Abrdn, M&G and New Mountain Partners were unable to provide a response to the initial data request.
- RCP, Unigestion and KKR did not provide engagement information as the requested metrics are not reported on. However, they were able to provide links to various ESG and Engagement reports that sufficiently explained their approach to voting and engagement.

The following section summarises the engagement activity of the remaining investment managers at 31 March 2023.

Note that:

- The information provided is at a firm level i.e. the engagement activity covered is not necessarily directly in relation to the assets held by the Fund.
- Engagement information is not included for immaterial assets (investments valued at less than £3m at 31 March 2023).
- This report does not include commentary on the Fund's cash owing to the limited materiality of stewardship to this asset class.

## 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*

## Abrdn

In Abrdn’s 2022 Stewardship report, the manager stated it has a duty to be active and engaged with owners of assets in which it invests. As a result of this, the manager maintains close contact with the companies and assets in which it invests, whether through listed equity, corporate bonds, or private markets.

Regular review meetings are held with executive management. However, Abrdn will also engage with board members – generally the Chair or non-executive directors. The below table breaks down the no. of total engagements Abrdn were involved in and the ESG topics that were discussed in such company meetings.

Engagements		ESG topics discussed
Priority ESG engagements	323	Water waste management, waste management, remuneration, product quality and safety, policies and practices, ownership and control, labour practices, human rights, governance, GHG emissions, energy management, employee Health & Safety, employee engagement, Diversity & Inclusion, ecological impacts, disclosure, customer privacy, controversies, board issues, air quality, accounting and audit and supply chain management.
Non-priority ESG engagements	2,161	
Total	2,484	

## M&G

M&G noted in its 2022 engagement case study report that “to qualify as an engagement, the interaction must require an objective and action to influence or impact on an investment decision, or the behaviour, or disclosure of an investee company with the goal of reaching an outcome from the engagement”.

By actively engaging with asset managers, M&G is able to build and develop a close relationship with companies in which it invests to ensure they are complying with the latest ESG frameworks, standards, and initiatives.

Across the number of engagements that M&G were involved in for the year ending 31 December 2022, the below ESG themes and topics were discussed. Engagement topics related to strategy such as capital allocation, financial performance and risk management were also discussed at such discussions.

Environmental	Social	Governance
<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Natural resource use</li> <li>• Pollution and waste</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct, culture, and ethics</li> <li>• Human and labour rights</li> <li>• Human capital management</li> <li>• Inequality</li> <li>• Public health</li> </ul>	<ul style="list-style-type: none"> <li>• Board Diversity</li> <li>• Board oversight/independence</li> <li>• Board leadership – CEO</li> <li>• Remuneration</li> <li>• Shareholder rights</li> </ul>

## Our insurers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

<b>Insurer</b>	<b>Commentary</b>
<b>PIC – Bulk Annuity</b>	<p>PIC has implemented active engagement with investee companies across public credit and private debt investments on material sustainability issues. This is an integral part of PIC's ESG strategy to help ensure that long term ESG risks, such as climate and social risks, are accounted for within the issuer's operations which may influence its ability to meet its financial obligations.</p> <p>For direct investments (e.g., housing associations, equity release mortgages and other bilateral investments), PIC will engage where possible directly with organisations both at the point of capital raising and during the tenure of the investment on various ESG-related issues.</p> <p>For indirect holdings, PIC aims to work closely with external managers. The key external managers who help manage the public credit portfolio are also involved in thematic ESG research. This helps identify important emerging or prominent topics and to recognise sector leaders and laggards. These are reported directly to PIC through quarterly engagement meetings. Larger-scale industry engagements with identified laggards are held by the managers. This research, together with findings from engagements, complements PIC's forward-looking analysis and helps ensure the portfolio is correctly positioned for any long-term industry changes.</p>
<b>LGAS – Bulk Annuity</b>	<p>LGAS uses its in-house investment manager LGIM to manage its annuity portfolio. As the annuity book does not contain equity holdings, it has limited capabilities to exhibit stewardship. There is close co-operation across the Legal &amp; General Group. So, indirectly through equity holdings in the listed companies that are in the annuity book, LGIM conducts its stewardship activities for the benefit of the annuity book.</p> <p>LGAS is also a member/signatory of the following initiatives, which it models its engagement and stewardship policies and actions on: United Nations Environment Programme, Principles for Sustainable Insurance; United-Nations Principles for Responsible Investment; Net Zero Insurance Alliance and the UK Stewardship Code.</p>

## Appendix – Firm level engagement examples

In the table below are some engagement examples provided by the Fund's managers, in the managers' own words:

M&G	Topic for this engagement	Environment: Biodiversity
	<b>Rationale</b> for the engagement	Objective: to encourage global food and beverage company Nestlé's plastic packaging initiatives, and to ensure it was adequately taking account of both deforestation and forced/child labour in its supply chain. We also intended to discuss nutrition and climate targets, but time constraints meant we will have to have a separate conversation in the New Year.
	<b>What you have done</b>	Action: M&G met with the company's global lead, social impact, and a member of the investor relations team
	<b>Outcomes and next steps</b>	<p>Overall, we were very impressed with the company's efforts. In plastic packaging, it is really investing in, and looking for, solutions to plastic waste e.g. paying a premium to recyclers to drive the industry and establishing a plastics R&amp;D centre. The company will miss its 100% reusable or recyclable plastic by 2025 target, but this pertains to most of the industry due to lack of capacity.</p> <p>In terms of biodiversity, the company has monitoring systems in place and is driving a regenerative agriculture initiative, to help meet its goal of 100% deforest-free supply chains by 2025. It acknowledges that this is not an easy feat, but appears to be doing the right things and moving in the right direction. We liked how Nestlé also linked its biodiversity targets with social considerations – small-holder farms often cannot be monitored for deforestation, or it happens outside their control. Nestlé doesn't remove them from the supplier list, as it is aware of the social impacts this would have, and therefore works with them to help avoid future instances.</p> <p>Further, it is very engaged on the issues of child labour, recognising that this is a common factor in long supply chains, but is monitoring and actively on the ground, working with communities to address the key issues. This is house-by-house engagement, with good remediation work in place where instances are discovered. We will follow up with the company in the New Year to carry on the discussion to include nutrition and climate.</p>

**Abrdn**

<b>Topic</b> for this engagement	Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting)
<b>Rationale</b> for the engagement	Our analysts are supported by stewardship and ESG resource embedded in each investment team, as well as our specialist central Investments Vector Sustainability Group. Our activities include a regular engagement programme to discuss various relevant ESG issues. This priority engagement is an example where we believe through engagement the company could report ESG issues better.
<b>What you have done</b>	Intesa Sanpaolo have robust governance structures and ESG information flow that we are impressed by, however the overall strategy and oversight on ESG issues seemed to be lacking. For example, they stated that they did not have access to finance strategy, yet they do have various initiatives in place with many encouraging case studies. We got the impression that overall direction was lacking despite strong ESG actions.
<b>Outcomes and next steps</b>	Milestone set to publish financed emission data and set interim targets