# Engagement Policy Implementation Statement

# The Qantas Airways Limited (UK) Retirement Benefits Scheme

## Introduction

This document sets out the actions undertaken by the Trustees of the Qantas Airways Limited (UK) Retirement Benefits Scheme (the "Trustees" of the "Scheme"), its service providers and investment managers, to implement the stewardship policy as set out in the Statement of Investment Principles ("SIP"). The document includes voting and engagement information that has been gathered from the Scheme's investment manager, BlackRock. The Scheme also holds a bulk annuity policy and Liability Driven Investment (“LDI”) or matching assets; however, stewardship activities for these investments have not been included on the grounds of materiality.

## Scheme Stewardship Policy Summary

The below bullet points summarise the Scheme Stewardship Policy in force over the majority of the reporting year to 31 March 2021.

- As part of their delegated responsibilities, the Trustees expect the Scheme's investment manager to:
  - Take into account environmental, social and governance considerations in the selection, retention and realisation of investments; and
  - Exercise the Trustees' voting rights in relation to Scheme assets
- The Trustees regularly review the suitability of the Scheme’s appointed investment manager (including broader stewardship matters, the exercise of voting rights and engagement) and take advice from their Investment Consultant with regard to any changes.
- If the Investment Manager is found to be falling short of the standards the Trustees expects, the Trustees undertake to engage with the investment manager.
- The Trustees review the stewardship activities of their asset managers on an annual basis, covering both engagement and voting actions.

The full SIP can be found at the link: here.

## Scheme stewardship activity over the year

### Training

Over the year, the Trustees received training sessions on responsible investment from their investment advisor, which provided the Trustees with updates on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making. This was provided to the Trustees in June 2020.

### Updating the Stewardship Policy

Throughout the year, the Trustees have been proactive to ensure the Scheme appropriately updated the Stewardship policy in the SIP.

In September 2020, the Trustees updated their SIP to expand their Stewardship Policy and include policies on costs transparency and incentivising managers, in accordance with the regulatory requirements. The updated wording in the SIP illustrates how the Trustees recognise the importance of its role as a steward of capital, as well as indicating how the Trustees would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

## Ongoing Monitoring

The Trustees receive quarterly monitoring reports from Aon. The reports include ESG ratings and highlight any areas of concern, or where action is required. The ESG rating system 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.

# Voting and Engagement Activates

The Scheme invests in one equity fund with BlackRock, who's voting and engagement activities are outlined in this section.

## BlackRock ACS World Multifactor Equity Fund

### Voting

| **Voting** | |
|---|---|
| Number of resolutions eligible to vote on over the year to 31/03/2021 | 2,489 |
| % of resolutions voted on for which the fund was eligible | 93.29% |
| Of the resolutions on which the fund voted, % that were voted against man | 7.58% |
| Of the resolutions on which the fund voted, % that were abstained from? | 0.56% |

BlackRock uses Institutional Shareholder Services’ (ISS) electronic platform to execute its vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. BlackRock’s voting decisions are informed by internally-developed proxy voting guidelines, its pre-vote engagements, research, and the situational factors for each underlying company. Voting guidelines are reviewed annually and are updated as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

Over 2020, BlackRock has increased its level of reporting by publishing more voting bulletins with detailed information and rationale for voting decisions. These specific significant votes are chosen by BlackRock based on a number of criteria such as level of public attention, and impact of financial outcome.

**Example**

In October 2020, BlackRock voted for a shareholder proposal for the company AGL Energy Ltd. to approve aligning the closure of two coal power stations with a strategy to limit the increase in global temperatures to 1.5C above pre-industrial levels. AGL Energy Ltd. (AGL) is Australia’s largest power producer, generating energy through thermal power, natural gas, wind power, hydroelectricity, solar energy, gas storage and coal seam gas sources. BlackRock voted for this proposal because it believes the company, and its shareholders, would benefit from a continued focus on long-term strategic planning covering several decades. While BlackRock recognises the various regulatory challenges and energy generation requirements that AGL faces, its support for this proposal is intended to encourage the company in its efforts to proactively and ambitiously manage the climate risk in its business model. BlackRock stated it expects that doing so would help offset the potential financial risks, and capture some of the opportunities of the global energy transition, thus protecting the long-term economic interest of shareholders.

## Engagement

The Blackrock Investment Stewardship Team's (BIS) stated key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management.

Over 2020, BIS had over 3,500 engagements — an increase of 35% against 2019 – with 2,110 unique companies, covering nearly 65% by value of their clients' equity investments. They also had 936 engagements on the impact of COVID-19.

More information, including case studies, can be found in the Blackrock Investment Stewardship Annual Report 2020;

https://www.blackrock.com/corporate/literature/publication/blk-annual-stewardship-report-2020.pdf

**Example**

BIS regularly reviews Amazon's governance structure and risk profile. In prior engagements with the company's board and management, BlackRock has discussed a range of material issues driving long-term shareholder value, including corporate governance practices, sustainability efforts, enterprise risk management, and human capital management.

During their most recent engagement, in addition to discussing human capital management, BlackRock discussed the topics raised in the shareholder proposals to be voted on at the annual meeting and the company's oversight and management of those issues that are relevant to their business model. This included the company's plans to improve its disclosure on food waste and food diversion management and its efforts to monitor the use of certain technologies and enforce compliance with its product policies. Amazon has demonstrated a commitment to adopting best practices in corporate governance (e.g. 90% board independence, 50% board gender diversity, and balanced board tenure). As a result of past engagements, the company has agreed to enhance its governance policies, as noted by management's proposal to lower the threshold for shareholders to the threshold for shareholders to request a special meeting.

# In summary

Based on the activity over the year, the Trustees are of the opinion that the stewardship policy has been implemented effectively in practice. The Trustees note that their applicable investment manager was able to disclose strong 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.