

Implementation Statement

University of Leicester Pension and Assurance Scheme

Scheme year end 31 July 2020

Purpose of the Implementation Statement

The Implementation Statement has been prepared by the Trustees of the University of Leicester Pension and Assurance Scheme ("the Scheme") and sets out:

- How the Trustees' policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 30 June 2020. The voting behaviour is not given over the Scheme year end to 31 July because investment managers only report on this data quarterly, we have therefore have given the information over the year to 30 June 2020.

How voting and engagement policies have been followed

The Trustees consider their voting and engagement policies have been met in the following ways:

- At the Scheme year-end, the Scheme's investment managers were: Legal & General Investment Management, Columbia Threadneedle Investments, Ruffer LLP, M&G Investments, Aviva Investors, and BMO Global Asset Management. The Trustees regularly consider the performance of the funds held with each investment manager and any significant developments that arise. Over the Scheme year the Trustees reviewed the ESG, Stewardship and ethical considerations in relation to their investment managers.
- The Scheme invests almost entirely in pooled funds, and as such delegate's responsibility for carrying out voting and engagement activities to the Scheme's investment managers.
- The Trustees undertook an initial review of the stewardship and engagement activities of the current managers in May 2019, with further reviews conducted in June and October 2020. Following these reviews the Trustees concluded that there was more to be done within the investment portfolio to tackle ESG and engagement issues, and these will be reviewed over the coming Scheme year.
- Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the Scheme's investment managers are in alignment with the Scheme's ESG and Stewardship policies, however the Scheme will be evolving these policies over the next Scheme year.

The table below provides an indication of the investment managers' overall voting and engagement.

Voting Data

The voting data collated for Scheme is given over the year to 30 June 2020.

Legal & General engage with companies at a firm level as they are predominantly a passive manager, voting data is therefore provided at a firm level.

The voting data provided by Columbia Threadneedle is specific for the pooled version of the Dynamic Real Return Fund, which the Scheme invests in.

The voting data for the Ruffer Segregated Target Return Fund is specific for the segregated fund that the Scheme invests in.

Manager	Legal & General Investment Management	Columbia Threadneedle Investments	Ruffer LLP
Fund name	Passive equities: Global equities	Diversified Growth: Columbia Threadneedle Dynamic Real Return Fund	Diversified Growth: Ruffer Segregated Target Return Fund
Structure		Pooled	Segregated
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour		The segregated mandate means the Trustees may engage with the manager to try to influence their voting behaviour
Number of resolutions the manager was eligible to vote at over the year	59,858	4,605	556
What % of resolutions did you vote on for which you are eligible?	99.4%	98.0%	87.9%
Of the resolutions, on which you voted, what % did you vote with management?	82.5%	91.0%*	85.7%
Of the resolutions, on which you voted, what % did you vote against management?	17.5%	6.5%*	14.3%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy advisor? (if applicable)	<i>Data not provided (please see the below paragraph for an explanation of the use of proxy voting services)</i>		0%

Source: Legal & General Investment Management, Columbia Threadneedle Investments and Ruffer LLP

* Threadneedle count "abstained" votes as part of the 98.0% total resolutions voted on, which are considered separately to voting with or against management for this investment manager.

Legal & General, Columbia Threadneedle and Ruffer all employ the use of Institutional Shareholder Services (ISS) as a proxy voting service. Columbia Threadneedle also employ Glass Lewis and the Institutional Voting Information Service (IVIS).

Legal & General and Columbia Threadneedle have both stated that they only employ these proxy voting advisors for research purposes, and therefore do not keep a record of when they vote against the advice of these advisors because they maintain their own custom voting policy.

There are no voting rights attached to the other assets held by the Scheme, which include loans, bonds and property therefore no voting information is shown above for these assets.

Significant votes

For the first year of implementation statements the Trustees have delegated to the investment managers to define what a “significant vote” is.

A summary of the key voting action the managers have provided is set out below.

It should be noted that LGIM only began to define what a “significant vote” was during the second quarter of 2020 (this is highlighted in the below table) and therefore any information before this is voting policies LGIM announced over the period under review.

Manager	Key voting action over the year
	<p>From 1 January 2020 LGIM announced that they would be voting against the largest 100 companies in the S&P500 Index that have less than 25% women on the board, and have announced that they will strengthen this policy to include all companies in the S&P500 from 2021.</p> <p>LGIM announced their decision to vote against all companies where the Board chair also acts as CEO from 1 January 2020 (excluding Japan due to unique structure).</p> <p>LGIM announced their decision to vote against all companies in the Japanese large-cap TOPIX 100 Index that do not have at least one female board member. This policy also took effect from 1 January 2020.</p>
<p>LGIM Global Equities</p>	<p>Ahead of the 2019 Metro Bank annual general meeting, LGIM publicly pre-announced their intention to vote against the board chair, members of the audit committee, and directors over whom they had independence concerns.</p> <p>LGIM have also signed up to a climate impact pledge under which they divest from companies that do not meet their requirements following a period of engagement. Over 2019, this involved LGIM taking action against 11 companies.</p> <p>LGIM co-filed their first ever shareholder resolution over the year to 31 March 2020. LGIM and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change.</p> <p>Legal & General began defining “significant votes” (31 March 2020 to 30 June 2020)</p>

At the end of March, Barclays PLC published its ESG report and issued a statement outlining the target of aligning the entire business to the goals of the Paris Agreement. LGIM endorsed this proposal at the May 2020 Annual General Meeting (AGM).

A proposal was taken by a shareholder to the Lagardère AGM to remove all incumbent directors and appoint 8 proposed new directors to the supervisory board. This was due to manager partners having “too tight a grip” on the company. When this type of proposal is taken to an AGM LGIM engages with both the shareholder who initiated the proposal and the company to understand both perspectives. LGIM voted in favour of 5/8 of the shareholders’ proposed new directors. LGIM notes this as a significant vote due to the significant media and public interest of this issue.

LGIM’s ESG Active View tool raised red flags about Wirecard’s governance, in particular accounting irregularities. In LGIM’s view the company management’s responses to several accounting allegations were considered unsatisfactory, with some of the responses even more concerning than the allegations themselves. Given these concerns, at the company’s 2019 AGM, LGIM cast a vote of no confidence. On the 25 June 2020 the company filed for insolvency after admitting the €1.9 billion of cash on its balance sheet did not exist. The CEO at the time of the fraud was subsequently arrested. LGIM notes this as a significant vote now given the implications of the scandal during the second quarter of 2020.

Climate change

ExxonMobil is a multinational oil and gas company. Ruffer stressed that they would like ExxonMobil to further align its strategy with the goals of the Paris Agreement, and suggested that the company join the Energy Transition Commission. There has been limited progress on this since the 2019 AGM. Ruffer therefore decided to vote against the re-election of all non-executive directors because they believed the current directors were not representing the best interests of shareholders owing to the slow progress of the engagement with the Climate Action 100+ initiative.

Ruffer Segregated Target Return Fund

Remunerations policies and reports

Ruffer voted against the upcoming remunerations policy changes of Sophos (a cyber-security company operating in Europe). Following a period of engagement on the upcoming policy change, specifically around the time horizon of long-term incentives and the way the company selects its peers and chooses its performance measures, no changes were made by Sophos.

Lloyds Banking Group proposed a new remuneration policy. Ruffer decided to vote against the proposed remuneration policy as, although it reduces the maximum pay-out at the time of the grant, it significantly relaxes the vesting criteria. Therefore, Ruffer did not think it incentivised management to deliver shareholder value.

Non-executive directors, board structure and independence

Ruffer spoke with Mitsubishi electric ahead of its 2020 AGM to discuss measures taken over recent years to improve its labour practices. Ruffer were encouraged by the steps the company has taken. However, there were still concerns over Mr. Oyamada who sits as an independent director. Ruffer do not believe Mr. Oyamada is independent given he is a senior advisor to the MUFG bank which holds shares in Mitsubishi Electric. Ruffer communicated these concerns and voted against his re-election.

Ruffer voted against the re-election of the Chair of the Board of Ocado because Ruffer are not comfortable with the board structure and believe the company is slow to rectify the situation. In particular, Ruffer do not believe there are a sufficient number of independent directors on the board.

Political contributions, lobbying payments and policies

At ExxonMobil's AGM Ruffer supported a shareholder resolution, voting against management, to request additional disclosure of the company's lobbying-related expenditures and board-level oversight of this spending.

Data on significant votes was requested from Columbia Threadneedle, to which the manager responded that they define a "significant vote" as one where they have voted against management.

Columbia Threadneedle Dynamic Real Return Fund

Over the year to 30 June 2020 Columbia Threadneedle, at a firm level, have voted against management on 6,111 separate items. The Trustees' investment consultant is liaising with Columbia Threadneedle to improve delivery of significant vote data in future, and we understand that the managers are working to improve their disclosures.

There are no voting rights attached to the other assets held by the Scheme, which include loans, bonds and property therefore no significant voting information is shown above for these assets.

Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant managers.

Manager	Legal & General Investment Management	Columbia Threadneedle Investments	Ruffer LLP	M&G Investments	Aviva Investors	BMO Global Asset Management
Fund name	Global equities and Active Bonds	Dynamic Real Return Fund	Segregated Target Return Fund	European Loan Fund	Lime Property Fund	LDI and Active Bonds
Number of engagements undertaken at a firm level in the year	Engaged with 557 companies (659 individual engagements within these companies)	Engaged with 226 companies	24 engagements	<i>Data not provided</i>	4,401 engagements	1,513 engagements

Source: Legal & General Investment Management, Columbia Threadneedle Investments, Ruffer LLP, M&G Investments, Aviva Investors, BMO Global Asset Management.

Summary

Based on the information received, the Trustees believe that the investment managers have acted in accordance with the Scheme's stewardship policies. The Trustees are supportive of the key voting action taken by the applicable investment managers over the period to encourage positive governance changes in the companies in which the managers hold shares.

The Trustees and their investment consultant are working with the investment managers to provide additional information in the future, including where indicated above, in order to enhance their ability to assess the investment managers' actions.

Prepared by the Trustees of the University of Leicester Pension and Assurance Scheme

February 2021