

Implementation Statement

University of Leicester Pension and Assurance Scheme

Scheme year-end 31 July 2024

Purpose of the Implementation Statement

This Implementation Statement has been approved 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 activities have been followed over the year.
- The voting activity undertaken by the Scheme’s investment managers on behalf of the Trustees over the year to 30 June 2024, including information regarding the most significant votes.

The investment manager data contained within this Implementation Statement is not given over the year to 31 July 2024 because investment managers only report this information on a quarterly basis. This information has therefore been provided over the year to 30 June 2024.

The Scheme fully disinvested from the LGIM equity portfolio and the LGIM Active Corporate Bond Fund in September and October 2023 respectively. Given the Scheme was only invested in those funds for a small portion of the reporting period, we have not included them in this Implementation Statement.

Stewardship policy

The Trustees’ Statement of Investment Principles (SIP) in force at the time of preparing this Implementation Statement describes the Trustees’ stewardship policy on the exercise of rights (including voting rights) and engagement activities. It has been made available online here:

<https://le.ac.uk/about/who-we-are/professional-services/finance>

At this time, the Trustees have considered but not set stewardship priorities or themes for the Scheme as other issues have taken priority over the year. However, the Trustees will be revisiting the extent that they wish to do this in due course, in line with other Scheme risks. The Trustees note that, apart from the Ruffer Segregated Target Return Portfolio, the Scheme solely invests through pooled investment vehicles where the Scheme’s asset only represents a small proportion of the capital invested in the funds. The Trustees understand that they are constrained by the policies of the managers. However, the Trustees take the stewardship priorities, climate risk and ESG factors into account at manager selection. The Trustees also review the stewardship and engagement activities of the investment managers annually.

The Trustees have an Environmental, Social and Governance (“ESG”) Policy document in place, which supports the Scheme’s SIP in recording the Trustees’ policies on the consideration and implementation of ESG factors (including, but not limited to, climate change) and stewardship. This document is available upon request.

How voting and engagement policies have been followed over the Scheme year to 31 July 2024

Based on the information provided by the Scheme's investment managers, the Trustees believe that the Scheme's voting and engagement policies have been met in the following ways:

- At the Scheme year-end, the Scheme's investment managers were: Columbia Threadneedle Investments ("Columbia Threadneedle"), Ruffer LLP ("Ruffer"), M&G Investments ("M&G"), Aviva Investors ("Aviva") and Northern Trust Asset Management ("Northern Trust"). The Trustees regularly consider the performance of the funds held with each investment manager and any significant developments that may arise. This may include inviting managers to present at Trustees' meetings from time to time.
- 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 Scheme has one investment in a segregated mandate with Ruffer, where restrictions are applied such that Ruffer cannot invest directly in companies with more than 10% of revenue coming from weapons systems, weapons components or tobacco-related business activities.
- Having reviewed their policies in relation to ESG and stewardship considerations, the Trustees reviewed the funds used to implement the Scheme's equity portfolio. This review included consideration of a range of passive equity funds that allowed the Trustees to better implement their policies on ESG factors and stewardship considerations. The outcome of this review was a decision to appoint Northern Trust to manage the Scheme's equity exposure through a number of pooled funds. In September 2023, the Trustees transferred its currency hedged equity mandate with LGIM to the Northern Trust Green Transition fund range.
- More broadly, the Trustees have a policy to consider an investment managers' approach to ESG as part of any new investment manager or fund selection exercise. This was integrated to the multi-asset credit manager selection carried out in May 2023 which ultimately led to the decision to invest in the M&G Sustainable Total Return (implemented in October 2023).
- The Trustees also have a policy to carry out an annual review of the Scheme's investment managers' ESG credentials, which may include a review of their ESG and stewardship policies, how they integrate ESG into their investment processes and their approach to engagement and voting activities. This is carried out via the annual Implementation Statement and the annual sustainability monitoring report, which the Trustees review to ensure alignment with the Scheme's policies. As part of the ongoing monitoring of the Scheme's investment managers, the Trustees use ESG ratings provided by its investment consultant, in order to assess how the Scheme's investment managers take account of ESG issues.

Summary

Based on the information received, the Trustees believe that the investment managers have acted in accordance with the Scheme's policies on exercising rights (including voting rights) and engagement activities. 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 investment managers hold shares.

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

September 2024

Voting data

Voting summary

This section provides a summary of the voting activity undertaken by the investment managers on behalf of the Trustees over the year to 30 June 2024. The Scheme's holdings in the Aviva Lime Property Fund, M&G European Loan Fund, M&G Sustainable Total Return Credit Fund, Columbia Threadneedle liability-driven investment ("LDI") portfolio and collateral funds (Global Absolute Return Bond Fund and Sterling Liquidity Fund) are expected to have no, or negligible amounts of, underlying assets with voting rights attached given the nature of these mandates. Therefore, these mandates have been excluded from the tables below.

The voting data provided by Northern Trust and Columbia Threadneedle is for the pooled funds in which the Scheme invests. The voting data provided by Ruffer is for the Scheme's own segregated mandate.

Manager Asset class	Northern Trust Passive Equities	Northern Trust Passive Equities	Columbia Threadneedle Multi-asset growth	Ruffer Multi-asset growth
Fund name	World Green Transition Index Fund*	Emerging Markets Green Transition Index Fund	Dynamic Real Return Fund	Segregated Target Return
Structure	Pooled	Pooled	Pooled	Segregated
Ability to influence voting behaviour of the 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
No. of eligible meetings	1,199	2,379	418	37
No. of eligible votes	16,681	19,660	6,182	543
% of resolutions voted	99.3%	99.7%	98.9%	93.2%
% of resolutions voted with management**	94.4%	84.4%	92.8%	95.3%
% of resolutions voted against management**	5.3%	13.8%	6.7%	4.5%
% of resolutions abstained**	0.3%	1.8%	0.6%	0.2%
Proxy voting advisor employed***	International Shareholder Services (ISS)			
% of resolutions voted against proxy voter recommendation	1.0%	0.0%	<i>Data not provided</i>	4.7%

Source: Information provided by the investment managers.

*Voting data applies to both GBP Hedged and Unhedged share classes.

**Totals may not sum due to rounding.

***A proxy advisor is a company that advises how owners of shares could vote on resolutions at shareholder meetings and, where applicable, the proxy advisor can also vote on behalf of the owners of the shares

Significant votes

As noted above, at this time the Trustee has not set stewardship priorities or themes for the Scheme, but will be considering the extent that they wish to do this in due course. So, for this Implementation Statement, the Trustee has asked the investment managers to determine what they believe to be a "significant vote". The Trustee has not communicated voting preferences to their investment managers over the period, as the Trustee is yet to develop a specific voting policy.

In the interest of concise reporting, the tables below show three of these votes for each fund. Where the investment manager has provided the fund exposure to the holding, and given that the Trustees have not yet set stewardship priorities, the three votes with the largest related exposure were selected. In the absence of the holdings' exposure data, the votes for the Northern Trust funds were selected such that they represent a variety of themes. Further information on other significant votes is available upon request.

Northern Trust World Green Transition Index Fund (GBP Hedged and Unhedged)

	Vote 1	Vote 2	Vote 3
Company name	Constellation Brands	Cintas	New World Development
Date of vote	18 July 2023	24 October 2023	21 November 2023
Approximate size of the fund's holding as at the date of the vote (as % of portfolio)	<i>Data not provided</i>		
Summary of the resolution	Disclose Greenhouse Gas (GHG) Emissions Reductions Targets	Report on Effectiveness of Diversity, Equity and Inclusion Efforts	Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights
How the manager voted	For	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	<i>Data not provided</i>		
Rationale for the voting decision	The manager generally votes for proposals requesting the issuance of corporate sustainability reports, as well as disclosure, where relevant, concerning the emission of GHGs and the use of fracturing in connection with the extraction of natural gases.	The manager generally votes for proposals advocating the elimination of workplace discrimination and support for equity and inclusion initiatives.	A vote against was applied because the proposal would permit new shares to be issued with a discount limit exceeding 10%, which is not line with the commonly used safeguards regarding volume.
Outcome of the vote	Fail	Fail	Pass
Implications of the outcome	<i>Data not provided</i>		
Criteria on why the vote is considered "significant"	Vote against management's recommendation		

Source: Northern Trust.

Northern Trust Emerging Markets Green Transition Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Zhuzhou Kibing Group	GF Securities	Zhejiang NHU
Date of vote	13 September 2023	10 May 2024	15 May 2024
Approximate size of the fund's holding as at the date of the vote (as % of portfolio)		<i>Data not provided</i>	
Summary of the resolution	Amend Corporate Governance Systems	Elect Li Wenjing as Director	Amend Information Disclosure Management System
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?		<i>Data not provided</i>	
Rationale for the voting decision	A vote against was applied because the company has not specified the details and the provisions covered under the proposed amendments.	A vote against was applied because Northern Trust have concerns relating to the composition and gender diversity of the board.	A vote against was applied because the company has not specified the details and the provisions covered under the proposed amendments.
Outcome of the vote	Pass	Pass	Pass
Implications of the outcome		<i>Data not provided</i>	
Criteria on why the vote is considered "significant"		Vote against management's recommendation	

Source: Northern Trust.

Columbia Threadneedle Dynamic Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Amazon	Apple	Eli Lilly and Company
Date of vote	22 May 2024	28 February 2024	6 June 2024
Approximate size of the fund's holding as at the date of the vote (as % of portfolio)	1.1%	0.8%	0.6%
Summary of the resolution	Report on Median and Adjusted Gender/Racial Pay Gaps	Report on Median Gender/Racial Pay Gap	Report on Effectiveness of Diversity, Equity, and Inclusion Efforts
How the manager voted	For	For	For

	Vote 1	Vote 2	Vote 3
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No	No	No
Rationale for the voting decision	The manager was of the view that the disclosure would help the board and shareholders better assess existing and potential future risks related to human capital management.	The manager was of the view that the disclosure would help the board and shareholders better assess existing and potential future risks related to human capital management.	The manager believed that the company should disclose its demographic workforce data as per the Equal Employment Opportunity (EEO) requirement, and also to help increase transparency and aid shareholders in assessing the effectiveness of the company's stated efforts to address related human capital material risks and opportunities.
Outcome of the vote	Fail	Fail	Fail
Implications of the outcome	Active stewardship (engagement and voting) continues to form an integral part of the manager's research and investment process		
Criteria on why the vote is considered "significant"	Vote against management and >20% dissent		

Source: Columbia Threadneedle.

Ruffer Segregated Target Return Portfolio

	Vote 1	Vote 2	Vote 3
Company name	Amazon	Coty	Bank of America
Date of vote	22 May 2024	2 November 2023	24 April 2024
Approximate size of the fund's holding as at the date of the vote (as % of portfolio)	0.9%	0.4%	0.3%
Summary of the resolution	Greenhouse Gas (GHG) Emissions	Board Independence / Effectiveness	Energy Transition
How the manager voted	For	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No	The manager voted with management and met with the company prior to the vote to discuss how they intended to vote.	No

	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	A vote for was applied because Amazon currently only discloses scope 3 emissions for its own brand products while peers, such as Walmart and Target, disclose scope 3 emissions for all product sales. The manager support the request for better disclosure around scope 3 emissions and believe this is the first step towards setting meaningful targets to reduce carbon emissions.	The manager voted in favour of the re-election of one of the Board directors, Mariasun Aramburuzabala, despite being noted that her attendance at board meetings was below the threshold it deems appropriate. On the basis the company has acknowledged her absence and stated that they expect her attendance to increase in future and, her attendance fell just below the threshold, the manager have elected to support management on this resolution.	While the manager supports enhanced disclosures more broadly, the proponent's required ratio is already available via a third-party (Bloomberg). Hence, in support of greater uniformity within the responsible investing space, the manager feels a vote against this proposal was the best option rather than company itself calculating this ratio with a possibly varying methodology.
Outcome of the vote	Fail	Pass	Fail
Implications of the outcome	The manager will continue to monitor the company and may seek to engage if no progress is seen.	The manager may reassess their stance at the next Annual General Meeting (AGM) if Mariasun's attendance does not increase.	The manager will continue to monitor the company.
Criteria on why the vote is considered "significant"	Any shareholder resolution, any management-proposed climate resolution, a dissident slate or any resolution the manager consider deviates from their internal proxy voting guidelines.		

Source: Ruffer.

Engagement data

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 investment manager during the year to 30 June 2024 for the relevant funds.

Engagement activities are expected to be limited for the Scheme's LDI portfolio and the Sterling Liquidity Fund held with Columbia Threadneedle due to the nature of the underlying holdings. Therefore, these funds have been excluded from the tables below.

Manager	Northern Trust		Columbia Threadneedle	
Fund name	World Green Transition Index Fund (GBP Hedged and Unhedged)	Emerging Markets Green Transition Index Fund	Dynamic Real Return Fund	Global Absolute Return Bond Fund
Number of engagements undertaken on behalf of the holdings in the year	1,977	440	76*	Data not provided
Number of engagements undertaken at a firm level in the year	Data not provided			659

Manager	Ruffer	Aviva	M&G	
Fund name	Segregated Target Return Portfolio	Lime Property Fund	European Loan Fund	Sustainable Total Return Credit Fund
Number of engagements undertaken on behalf of the holdings in the year	11	20**	8	10
Number of engagements undertaken at a firm level in the year	49	9,988		408

Source: Investment managers.

*Data provided for the 12-month period to 31 December 2023 as Columbia Threadneedle only provide fund engagement data annually as at year-end.

**Number of entities engaged instead of number of engagements.

Examples of engagement activity

The table below provides an example engagement for each of the relevant funds over the periods outlined in the previous section.

Manager and mandate	Example engagement
<p>Northern Trust <i>World Green Transition Index Fund (GBP Hedged and Unhedged)</i></p>	<p>Bayer: Northern Trust worked collaboratively with other investors to engage with Bayer around its product stewardship, focusing on product safety and environmental impact, in light of the ESG risks highlighted in Bayer's recent merger and acquisition (M&A) activity. They encouraged Bayer to plan to reduce the environmental impact from its portfolio of crop protection products and enhance disclosure on its approach to sustainability in M&A activity. As a result, in September 2023, Bayer published a joint statement on its website acknowledging the positive impact of Northern Trust's collaborative engagement.</p>
<p>Northern Trust <i>Emerging Markets Green Transition Index Fund</i></p>	<p>POSCO: In March 2024, InfluenceMap (an independent firm that assesses corporate and industry association lobbying of climate policy) reported that POSCO (one of the largest steel producers in South Korea) appear not to support the Carbon Border Adjustment Mechanism (CBAM) – a legislation introduced by the European Union (EU) which will impose carbon-related tariffs to high carbon products imported into the EU from 2026. During the engagement, POSCO confirmed that though the company is getting ready for CBAM, however, being an integrated steel business, there are issues in calculating the emissions for steel production. POSCO along with Korean industry bodies and government is talking to EU regulators to clarify the carbon emission calculations for buying the CBAM certificates. Northern Trust recommended POSCO to publicly clarify its position on CBAM with respect to business opportunities as well as risks of losing EU export business post implementation of CBAM. Details on the outcomes of this engagement were not provided.</p>
<p>Columbia Threadneedle <i>Dynamic Real Return Fund</i></p>	<p>Uber: Uber has been subject to a series of ongoing social controversies, including the safety concerns for drivers and passengers, the company's poor record on political lobbying and the exposure to public cases on undocumented migrant labour. Columbia Threadneedle had a call with the company's new head of ESG to discuss on those issues, and sent a follow up email to reiterate their expectations. The company acknowledged Columbia Threadneedle's concerns and reflected that they are aware that the safety and lobbying issues are areas of concerns for a number of investors, while the undocumented migrant labour issue is a newer controversy where company seemed to be less prepared on. Columbia Threadneedle have since had positive communication on these issues with the company's head of ESG, but no concrete indication of intention to act on their recommendations as of yet. They are planning to have another call with Uber, before potentially looking at escalation routes if the company continues to be slow to improve.</p>
<p>Columbia Threadneedle <i>Global Absolute Return Bond Fund (only firm-level examples were available)</i></p>	<p>CosStar: Columbia Threadneedle reached out to the company ahead of the Annual General Meeting (AGM) to discuss on the company's board composition, as Columbia Threadneedle consider the current board composition to have excessive tenure. Columbia Threadneedle also discussed on the company's approach to addressing the concerns relating to Greenhouse Gas (GHG) emissions reduction targets. On the board composition, the company emphasised they are looking to add new directors as well as update the mandates of the governance committee to inform their board refreshment, which Columbia Threadneedle will continue to monitor the progress on this. Regarding the GHG emission reduction targets, while the company had begun its first steps in disclosing on climate risk mitigation, Columbia Threadneedle expressed that the company lags their process in this area. A few days after the engagement, the company signed a public commitment letter to set short-term and long-term science-based greenhouse gas emission reduction targets in accordance with Science Based Targets Initiative (SBTi).</p>
<p>Ruffer <i>Segregated Target Return Portfolio (only firm-level examples were available)</i></p>	<p>Conduit: Ruffer met with Conduit (an insurance company) to discuss on the topics of climate change and employee compensation/benefits. On the climate change, Ruffer wanted to understand how the company is assessing its risk exposure given increased weather events and its smaller insured base. The company argued that, insurance market was going through a phase of normalisation, with insurers adjusting prices and responding more pragmatically to weather and non-weather events. On the employee compensation/benefits, Ruffer wanted to understand if and how the benefits given to employees are translated into greater staff retention and higher productivity given that Conduit is a relatively new business. The representative at the meeting suggested Ruffer to follow up with the company's HR team on this, which Ruffer were planning to do so in order to understand more on the company's business model.</p>

Aviva
Lime Property Fund

NHS: Aviva engaged with NHS at Bircham Park to discuss on their progress on onsite renewable energy, particularly on the possibility of adding new office space or photovoltaic panels roof where ESG is heavily embedded into the design. Aviva have noted that the original proposal for funding the extension development office space and the solar array fell through, and now is being picked up again following their inspection in June last year.

M&G
European Loan Fund

Efficio: M&G met with Efficio to encourage them to increase their Diversity & Inclusivity (D&I) disclosure. The company tracks the gender breakdown of their workforce at different levels to ensure pay equity, and M&G encouraged them to disclose this information. The company plans to implement a target related to the male-to-female ratio across the business to assess their retention of people at different levels. The company places a strong emphasis on attracting and retaining diverse talent and has made changes to their flexible work policy. They are also engaging with senior women to identify key barriers and bottlenecks. The company is taking steps to ensure that they have a diverse pool of candidates by requiring that recruiters provide a candidate pool that is at least 60% women. The company acknowledges that they have been lacking in disclosure but has been working diligently on this behind the scenes. M&G have encouraged Efficio to include a separate ESG report or section in their annual report to showcase their efforts in this area. M&G expect to see more ESG disclosure from Efficio next year once they are comfortable with reporting and the cadence.

M&G
Sustainable Total Return
Credit Fund

Hiscox: M&G met with the Hiscox (an insurance company) to have a wider discussion around their climate strategy, particularly in encouraging the company to have its near-term Greenhouse Gas (GHG) reduction targets approved by Science Based Targets Initiative (SBTi). M&G also initiated discussion on consideration of wider biodiversity in the company's underwriting activities. On the GHG reduction targets, the company has been undertaking a data exercise to fully understand its emissions profile, and said having its targets SBTi validated was being considered, but no timelines were provided. M&G will continue to engage on this issue. In terms of wider biodiversity considerations, the company noted that it has engaged with its top 20 shareholders as part of its materiality assessment, and biodiversity was not currently at the top of the agenda. M&G will further pursue this, given the nature of project underwriting and potential biodiversity impacts.

Source: Investment Managers.