Engagement Policy Implementation Statement

University of Hull Pension and Assurance Scheme

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 implementation statement which outlines the following:

- Explain how and the extent to which it has followed its engagement policy, which is outlined in the SIP.
- Describe the voting behaviour by, or on behalf of the Trustee (including the most significant votes cast by Trustee or on its behalf) during the scheme year and state any use of the services of a proxy voter during that year.

This document sets out the details, as outlined above. The Engagement Policy Implementation Statement ("EPIS") for the University of Hull Pension and Assurance Scheme ("the Scheme") has been prepared by the Trustee of the Scheme ("the Trustee") and covers the reporting year 6 April 2020 to 5 April 2021.

Scheme Stewardship Policy Summary

The below bullet points summarise the Scheme Stewardship Policy in place over the majority of the reporting year, and in effect as at 5 April 2021.

- *The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.*
- *As part of its delegated responsibilities, the Trustee expects the Fiduciary Manager to: 1) Ensure that (where appropriate) underlying asset managers exercise the Trustee's voting rights in relation to the Scheme's assets; and 2) Report to the Trustee on stewardship activity by underlying asset managers as required.*
- *The Trustee will engage with its Fiduciary Manager as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned.*
- *The Trustee may engage with its Fiduciary Manager, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustee will consider, on a case by case basis, a range of methods by which it would monitor and engage so as to bring about the best long-term outcomes for the Scheme.*

The full SIP can be found here: https://www.hull.ac.uk/choose-hull/university-and-region/key-documents/docs/university-of-hull-pension-and-assurance-scheme-uhpas-statement-of-investment-principles-sip.pdf

Scheme Stewardship Activity Over the Year

Training

Over the year, the Trustee received responsible investment training from their investment advisor, Aon, on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of Environmental, Social and Governance (ESG) factors in investment decision making.

Updating the Stewardship Policy

During the training session and throughout the year, the Trustee has been proactive to ensure the Scheme appropriately updated the Stewardship policy in the SIP.

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers, the Trustee also reviewed and expanded the Stewardship policy section in September 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve its Stewardship policy.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with monitoring reports being provided to the Trustee by Aon and includes ESG ratings for underlying managers within the Scheme's fiduciary mandate. The ESG rating system is for buy rated investment strategies, which the Scheme is indirectly invested in, and 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.

Engagement – Aon Investments Limited ("AIL")

Under the Trustee's fiduciary mandate, managed by Aon Investments Limited ("AIL"), AIL appoint underlying asset managers to achieve an overall target return. The Trustee delegates the monitoring of ESG integration and stewardship quality to AIL and AIL have confirmed that all equity and fixed income managers have been rated 2 or above on AIL's four-tier ESG ratings system (1 being worst and 4 best on scale). This means that all the appointed asset managers are at least aware of potential ESG risks in the investment strategy and have taken some steps to identify, evaluate and potentially mitigate these risks.

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 most of its applicable investment managers were able to disclose strong evidence of voting and engagement activity where relevant.

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

Voting and Engagement Activity

Over the year, the Scheme's assets were invested in a number of equity and multi-asset funds. Over the period these allocations were redeemed, and management of the Scheme's assets was delegated to the fiduciary manager, AIL. This statement details the voting and engagement policies of both the initial managers and those of the managers appointed under the fiduciary arrangement.

In each case, the investment managers have only been able to provide data to quarter end dates, which covers the majority of the relevant period (i.e. information from 1 April 2021 to 5 April 2021 is currently unavailable) which is sufficient to reflect the manager's policies and level of voting and engagement activity over the Scheme year.

Voting statistics and examples for each of the managers are detailed in the Appendices.

Initial (Non-fiduciary) Investments: Equity and Multi-Asset Funds

For the first half of the year, the Scheme invested in the following equity and multi-asset funds, for which voting and engagement was completed by the managers on behalf of the Scheme:

Manager	Fund Name
Legal & General Investment Management ("LGIM")	LGIM Global Equity Fixed Weights (60:40) Index Fund
Aberdeen Standard Investments ("ASI")	ASI Global Absolute Return Strategy (GARS)
Ruffer LLP ("Ruffer")	Ruffer Absolute Return Fund

All managers use the services of respective proxy voting organisations for various services that may include research, vote recommendations, administration and/or vote execution.

LGIM

Voting Policy

LGIM makes use of the Institutional Shareholder Services' ("ISS") proxy voting platform to electronically vote and augment its own research and proprietary ESG tools, but does not outsource any part of the strategic decisions. It has put in place a custom voting policy with specific instructions that apply to all markets globally, which seeks to uphold what it considers to be minimum best practice standards all companies should observe. Even so, LGIM retains the ability to override any voting decisions based on the voting policy if appropriate, for example, if engagements with the company have provided additional information.

Engagement Policy

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues	4. Public Policy and collaborative engagement
2. Formulate the engagement strategy	5. Voting
3. Enhancing the power of engagement	6. Reporting to stakeholders on activity

More information can be found on LGIM's engagement policy here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

ASI

Voting Policy

ASI uses ISS as a provider of proxy voting. However, ASI uses its own voting guidelines which ISS must adhere to when providing recommendations. ASI also does its own analysis of resolutions discussed at annual general meetings ("AGMs") and shareholder meetings.

ASI aims to vote client's shares in a way that is aligned with the clients' best interests. In general, ASI supports a board's voting recommendation, however, it does vote its clients' shares against resolutions which do not support their best interests and/or conflict with the spirit of the Investment Association ("IA") or other institutional guidance. ASI also make use of the IA's institutional Voting Information Service.

Engagement Policy

Investment management for ASI is undertaken by Aberdeen Asset Managers Limited ("AAML"). AAML follows the principles of the UK Stewardship Code and believes its policies meet all of the new requirements described in the Financial Conduct Authority's Policy Statement 19/13, further details of which can be found here: https://www.fca.org.uk/publications/policy-statements/ps19-13-improving-shareholder-engagement-and-increasing-transparency-around-stewardship

Ruffer

Voting Policy

Ruffer has internal voting guidelines as well as access to this proxy voting research from ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although it is cognisant of proxy advisers' voting recommendations, Ruffer does not delegate or outsource stewardship activities when deciding how to vote. Research analysts are responsible, supported by their responsible investment team, for reviewing the relevant issues on a case-by-case basis and exercising their judgement, based upon their in-depth knowledge of the company. They look to discuss any relevant or material issue that could impact the investment with the relevant companies.

Engagement Policy

Ruffer states within its engagement policy that it views engagement as an effective tool in enhancing its investment decisions and understanding material ESG risks and challenges the investee companies face. It also allows Ruffer to share its investment philosophy and approach with these companies. Ruffer engages directly with companies when an issue arises in order for "frank and forthright" discussions to take place. Ruffer will escalate these direct engagements to other stakeholders, such as non-executive directors, if necessary.

Fiduciary Arrangement: Underlying Equity and Multi-Asset Funds

Following the transition of assets to the fiduciary manager AIL, which commenced in August 2020, the Scheme invested in the following funds, in a material capacity, for which voting and engagement was completed by the managers on behalf of the Scheme:

Fund	Underlying Investment Manager - Fund Name
Aon CCF (Global Equity Fund)	Harris Associates - Global All Cap Equity Strategy
	Arrowstreet - Global Developed Equity Fund
Adept Sub Fund 17 (Emerging Market Equity)	OakTree - Emerging Markets Equity Fund
Adept Sub Fund 19 (Global Multi-Factor Equity)	LGIM - Developed Balanced Factor Equity Index Fund
Adept Sub Fund 30 (Global Impact Equity Strategy)	Baillie Gifford - Positive Change Fund
	Nordea - Global Climate and Environmental Strategy

As the fund of funds are actively managed, and allocations change over time, not all underlying managers are detailed. Rather, a selection of the most material underlying managers are noted. Other examples are available on request.

Voting examples for these managers are provided in the Appendices.

Harris Associates ("Harris")

<u>Voting Policy</u>

Harris has a proxy voting committee that is responsible for recommending proxy voting guidelines, establishing and maintaining policies and procedures for proxy voting, and ensuring compliance with these policies and procedures.

Harris uses its own bespoke policy, however it utilises ISS' platform to vote.

Harris will normally vote in line with management's recommendations, as it believes "voting with management is generally the same as voting to maximise the expected value of investments" following the extensive assessment of the company's management when choosing to invest.

<u>Engagement Policy</u>

Harris regularly monitors invested companies and takes appropriate action if investment returns are deemed to be at risk. To ensure that the companies are acting in its shareholders' best interests, Harris regularly communicates with management about new initiatives and matters affecting the business. Annually, Harris has more than a thousand management meetings with C-level (Chief level, i.e. CFO, CEO, etc.) executives and board members.

Arrowstreet

<u>Voting Policy</u>

Arrowstreet engage a third-party service provider, ISS, to provide proxy-voting services for client accounts (including Arrowstreet Sponsored Funds), including vote analysis, execution, reporting and certain recordkeeping services. ESG principles are taken into account in the service provider's standard proxy voting policies. In addition, Arrowstreet make enhanced ESG specific proxy voting services available upon request. Proxy voting services are monitored periodically by Arrowstreet's Client Operations team.

Arrowstreet generally follows the recommendations of its proxy provider, ISS, but may override an ISS decision in circumstances where ISS discloses a material conflict of interest and Arrowstreet determines that doing so would be in the best interests of its clients. The third-party voting service is reviewed regularly to ensure proxy voting recommendations are based on current and accurate information and to address any conflicts of interest or other areas of concern from the service provider.

Engagement Policy

At a firm level, Arrowstreet recognise that engagement is increasingly important to some of its investors, and as a result, has partnered with a leader in responsible investing to provide that service. Arrowstreet’s engagement activities are fully outsourced through Sustainalytics, offering an established, standardised and systematic engagement framework with a global investor base.

Oaktree

Voting Policy

Oaktree assign a relevant analyst to assess each voting opportunity on a case-by-case basis. Oaktree uses the proxy voting provider ProxyEdge solely for ballot calendar management and submitting voting instructions as it believes each analyst is better placed to decide how a vote should be actioned. The firm believes it is important for the analyst to know each item on the company vote register, so they can provide direct feedback to management.

Engagement Policy

Through its strong relationships with company management, Oaktree believes it can play a constructive role in helping companies improve their practices. Oaktree's research database includes the capability to tag ESG commentary notes where applicable.

Oaktree has implemented an ESG Escalation Committee to enhance the decision-making process when a significant ESG-related event occurs at the company level.

LGIM

LGIM's voting and engagement policy at a firm level is detailed above under the '*initial (Non-fiduciary) Investments: Equity and Multi-Asset Funds*' heading. Fund-specific voting statistics are provided in the Appendices.

Baillie Gifford

Voting Policy

Baillie Gifford's Governance and Sustainability team oversees its voting analysis and execution in conjunction with its investment managers. It utilises research from proxy advisers (ISS and Glass Lewis) for information purposes only and does not delegate or outsource any of its stewardship activities or follow or rely upon proxy advisers' recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house in line with its in-house policy and not with the proxy voting providers' policies. Baillie Gifford also has specialist proxy advisors in the Chinese and Indian markets to provide it with more nuanced market specific information.

Baillie Gifford analyses all meetings in-house in line with its Governance & Sustainability Principles and Guidelines. It believes that voting should be investment led, because how it votes is an important part of the long-term investment process. Baillie Gifford endeavours to vote every one of its clients' holdings in all markets.

Engagement Policy

According to its 2020 Governance and Sustainability Principles and Guidelines, Baillie Gifford focuses on stewardship through long-term value creation, board effectiveness, sustainable remuneration targets, fair treatment of stakeholders and longevity of business practices. Baillie Gifford states that the UN Sustainable Development Goals ("SDG") have been central to benchmarking its progress in pursuing ESG considerations.

Nordea

Voting Policy

Nordea's policies and principles define how it approaches corporate governance-related matters, incorporation of ESG considerations in investment processes and how shares are voted. A Corporate Governance Committee has been set up in order to ensure appropriate handling of corporate governance matters, and the operational responsibility rests with the Corporate Governance Function. The Corporate Governance function and the Responsible Investment team work together closely and representatives from the Responsible Investment team coordinate the work between the two functions.

Proxy voting is supported by two external vendors to facilitate the voting and provide analytic input. Nordea use ISS for proxy voting, execution, as well as research, while Nordic Investor Services is mainly used for analysis. Generally, Nordea focuses its stewardship efforts on companies on which it can have a significant impact, such as firms in which it has a substantial ownership share or if it has a large aggregated position. In addition, it strives to put extra emphasis on companies which it owns in its ESG-enhanced products.

Engagement Policy

At the manager level, Nordea's Responsible Investment Team is engaging on environmental issues in collaboration with Climate Action 100+: A collaborative five-year global initiative led by investors to engage with the world's largest corporate greenhouse gas emitters to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

Fiduciary Arrangement: Underlying Fixed Income and Alternatives Strategies

The Scheme also invests in a number of fixed income strategies, alternatives strategies and a liability driven investment ("LDI") portfolio. Information relating to the LDI portfolio has not been included within the EPIS, due to the limited scope of stewardship and engagement opportunities.

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 therefore a vested interest on the part of debt issuers to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited, in comparison to equities, downside risk mitigation and credit quality is a critical part of investment decision-making.

The following information details the engagement policy in place with one of the most material managers appointed within the AIL mandate. Other examples are available on request. Examples of engagement are provided in the Appendices.

Fixed Income: PIMCO Engagement Policy

The Scheme invests in an absolute return bonds fund managed by PIMCO via the AIL Active Fixed Income Strategy and also a multi-asset credit fund via the AIL Multi-Asset Credit strategy.

At the firm level, PIMCO incorporates material ESG factors into the investment research process to better assess issuer risks. In ESG dedicated portfolios, PIMCO implements an additional ESG scoring system which considers how an issuer fairs against its peers regarding ESG momentum and chooses to invest in the issuers who score well in this ("ESG issuers").

PIMCO states that for non-ESG dedicated portfolios, like the PIMCO Absolute Returns Bonds fund the Scheme is invested in via the Active Fixed Income Strategy, there is no explicit objective to actively engage with ESG issuers on sustainability practices. However, it might benefit from the intensive engagement work pursued in the ESG dedicated portfolios, given that issuers may be held in both strategies.

Appendix - Voting Statistics

This information relates to the specific funds the Scheme invested in over the period.

The investment managers have provided information to the end of each quarter. While this does not align exactly with the Scheme's accounting period, it remains representative of each fund's voting and engagement activity on behalf of the Trustee over the period.

Voting Statistics:

The Scheme's initial allocations to LGIM Global Equity Fixed Weights (60:40) Index Fund, ASI Global Absolute Return Strategies and Ruffer Absolute Return Fund were redeemed part way through the period, with proceeds reinvested in the AIL Fiduciary mandate.

The AIL mandate includes allocations across several underlying equity funds, for which the voting statistics for the most material underlying managers within these funds are detailed below.

The voting statistics data represent fund level activity over a full 12 month period to 31 March 2021 for each of these managers (unless noted), which reflects the level of voting activity and includes the period that the Scheme was invested in these funds.

	% of resolutions voted on for which the fund was eligible	% that were voted against management	% that were abstained from
Initial Allocations			
LGIM – Global Equity Fixed Weights (60:40) Index Fund	100%	16%	0%
ASI – Global Absolute Return Strategies *	98%	14%	0%
Ruffer – Absolute Return Fund	97%	9%	2%
AIL CCF (Global Equity Fund)			
Harris - Global Equity Fund	100%	5%	0%
GQG Partners - Global Equity Fund	100%	7%	0%
Arrowstreet - Global Developed Equity fund	97%	9%	1%
AIL Adept Sub Fund 17 (Emerging Market Equity Strategy)			
OakTree - Emerging Markets Equity Fund	100%	9%	2%
Neuberger Berman - Emerging Markets Equity Fund	100%	11%	1%

AIL Adept Sub Fund 19 (Global Multi-Factor Equity)			
LGIM - Developed Balanced Factor Equity Index Fund	100%	18%	0%
AIL Adept Sub Fund 30 (Global Impact Strategy)			
Baillie Gifford - Positive Change	95%	3%	1%
Mirova - Global Sustainable Equity Fund	100%	12%	5%
Nordea - Global Climate and Environment Strategy	84%	9%	0%

*Data to from 1 April 2020 to 2 September 2020, in line with Scheme holding period

Source: Investment managers, AIL.

Appendix 2: Voting Examples

Voting Examples

Harris Associates ("Harris")

Voting Example – Liberty Global plc (“Liberty”)

An example of a significant vote against management took place in June 2020 whereby Harris voted against management in relation to executive officers' compensation at Liberty. Harris, along with c. 35% of shareholders voted against management regarding its remuneration policy, as Harris believed the CEO's compensation was excessive, and that half of it was time based, rather than performance.

Arrowstreet

Arrowstreet does not currently track significant votes or engagements. AIL have opened a dialogue with Arrowstreet to assist it in improving its policy for reporting in these areas.

Oaktree

Voting Example - Vale

In March 2021, Oaktree voted against management at Vale, in an amendment to reduce the number of ordinary meetings and amend the minimum number of members to call a meeting of the Board of Directors, according to the Management Proposal. Reducing the number of ordinary meetings while also making it more challenging for members to call a meeting – does not benefit minority shareholders. Oaktree expect significant churn at the board level now that minority shareholders are able to vote for individual candidates. Oaktree stated that reducing the number of ordinary meetings felt counter-productive for getting the soon-to-be newly constituted board up to speed given the potential for many new faces. Lastly, requiring a greater percentage of shareholders or board members to call a meeting goes against Oaktree’s proxy guidelines.

Oaktree stated that it regularly speaks with Vale to offer suggestions on ways to improve its governance practices. In this specific case, Oaktree did not communicate with management because the voting action was clear cut given the proposal violated Oaktree's firm's proxy guidelines.

LGIM

Voting Example - Pearson

In September 2020, LGIM voted against a remuneration policy put forward by an investee company Pearson.

The company put forward an all-or-nothing proposal in the form of an amendment to the company’s remuneration policy at an extraordinary general meeting ("EGM"), which was tied to the appointment of a proposed Chief Executive Officer (“CEO”). Shareholders supportive of the new leadership were therefore unable to separately evaluate the remuneration policy.

LGIM spoke with the chair of Pearson's board in relation to plans for the change in leadership and discussed the shortcomings of the company’s current remuneration policy. Additionally, LGIM relayed its concerns prior to the EGM that the performance conditions within the remuneration policy were not appropriate and should be re-evaluated to best align management incentives with those of the shareholders.

In the absence of any changes to the proposal, LGIM took the decision to vote against the amendment to the remuneration policy. In all, 33% of shareholders voted against the remuneration policy and the appointment of the new CEO. While the proposal received sufficient support to be passed, the engagement highlighted concerns around governance, which LGIM has stated will be challenged through continued engagement going forward.

Baillie Gifford

Voting Example – Tesla Inc (“Tesla”)

Baillie Gifford voted for a shareholder resolution at Tesla's annual general meeting on September 2020 to eliminate supermajority voting requirements from Tesla's bylaws and to adopt a simple majority voting standard. It voted in favour if this resolution as it believed it was in the shareholder's best interest. This resolution was deemed significant because it was submitted by shareholders and received greater than 20% support. The resolution was passed.

Nordea

Voting Example – Linde Plc

In July 2020, Nordea voted against the management on the resolution of Advisory Vote to Ratify Named Executive Officers' Compensation proposed by Linde Plc. No intent was communicated to the company ahead of the vote. Rationale for the voting decision was that bonuses and share based incentives should only be paid when management reach clearly defined and relevant targets which are aligned with the interest of the shareholders. Outcome of the vote was also approved.

This was a significant example based on the portfolio weight of the company at the time of voting and the alignment to Nordea's Corporate Governance Principles.

Fiduciary Arrangement: Underlying Fixed Income and Alternatives Strategies

The following examples demonstrate some of the engagement activity being carried out on behalf of the Scheme over the year in relation to Fixed Income strategies.

Fixed Income: BlueBay Asset Management LLP ("BlueBay") Engagement Policy

Engagement Example – Petroleos Mexicanos

In March 2020, BlueBay joined the Climate Action 100+ (“CA100+”) , agreeing to co-lead on engagement with Petroleos Mexicanos (“Pemex”), a Mexican state-owned petroleum company. This followed BlueBay’s own engagement with Pemex in 2020, where they had a call with management to discuss how the company was addressing some of its key ESG risks, including its approach to corporate responsibility, sustaining improved health and safety performance, improving transparency and disclosure of ESG metrics and climate change.

In July 2020, the co-leads wrote to the Board of the Pemex to provide it with formal notice of its inclusion in the CA100+. The letter also advised that, alongside the co-lead investors and several supporting investors keen to ensure a more progressive approach to climate change from Pemex. The company responded to this letter, stating it is currently reviewing the best way to respond and engage with investors on their approach to climate change and their high levels of greenhouse gases produced. BlueBay continue to monitor Pemex.

From an investment perspective, BlueBay feels that ESG issues create a high hurdle to owning Pemex. However, it believes valuations are compelling so they are currently holding Pemex as a core position in several funds. This gives BlueBay an increased ability to engage with management, a position it is using wherever possible to influence Pemex with regard to ESG improvements.