

Implementation Statement

University of Leeds Pension and Assurance Scheme

Purpose of this statement

This implementation statement has been produced by the Trustee of the University of Leeds Pension and Assurance Scheme (PAS) to set out the following information over the year to 31 March 2022:

- the voting activity undertaken by the PAS's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes; and
- how the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year.

Trustee policies on voting and engagement

The Trustee's Statement of Investment Principles (SIP) in force as at 31 March 2022 describes the Trustee's policy on the exercise of rights (including voting rights) and engagement activities as follows:

Investment managers are expected to exercise rights and voting powers with the objective of preserving and enhancing long-term shareholder value. In addition to the exercise of rights and voting rights, investment managers are expected to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) relating to their underlying investments in order to improve corporate behaviours and governance, improve performance and social and environmental impact and to mitigate financial risks.

With the exception of the segregated Liability Driven Investment portfolio with Schroders (previously River & Mercantile), which has no voting rights and limited ability to engage with key stakeholders given the nature of the mandate, the PAS invests entirely in pooled funds. As such, the Trustee has delegated responsibility for carrying out voting and engagement activities to the PAS's investment managers.

Summary

The Trustee believes that its policies on voting and engagement have been met over the year. In particular:

- At the start of the year, the Trustee completed a review of the PAS's Responsible Investment Policy, which included consideration of how Environmental, Social and Governance (ESG) issues are taken into account within the PAS's investment strategy. This also included considering the extent to which the Trustee will seek to achieve consistency with the University's Responsible Investment Policy.
- As part of a wider review of the PAS's Equity Portfolio, and following the review of the PAS's Responsible Investment Policy, the Trustee made investments in the LGIM RAFI Multi-Factor Climate Transition Fund and the LGIM ESG Paris Aligned World Equity Fund towards the end of the year. These investments were made to reflect the Trustee's Responsible Investment Policy, in particular to address climate risk.

- The Trustee communicated the changes made to the PAS's investment strategy to incorporate ESG as part of its annual newsletter and is committed to communicating its approach to ESG with members on a regular basis.
- Annually the Trustee receives voting information and engagement policies from the PAS's investment managers, which is reviewed to ensure alignment with the Trustee's own policies. The Trustee believes that the voting and engagement activities undertaken by the investment managers on their behalf have been in the members' best interests. During the year, the Trustee reviewed each of the PAS's investment managers' approaches to ESG and engagement, and carried out monitoring of their activity over the year to 31 March 2021, to ensure this was in line with expectations. This involved considering ESG ratings provided by its investment consultant, as a measure of how the PAS's investment managers take account of ESG issues.
- As part of ongoing monitoring of the PAS's investment managers, the Trustee uses ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the PAS's investment managers take account of ESG issues.
- Overall, we do not have any material concerns with the ESG and Stewardship activities of the PAS's holdings, and therefore there are no direct challenges we propose to raise with any of the investment managers relating to their ESG or Stewardship activities. Most of the PAS's investment managers were able to provide evidence that they are actively engaging with key stakeholders on behalf of the Trustee where possible, although the nature of some of the funds the PAS invests in means this is not always possible.

Towards the end of the year, the PAS made a number of changes to the funds within the Equity Portfolio, which involved disinvesting fully from some funds and making investments in new funds. This report does not show the voting and engagement activity of the new funds that the PAS invested in, as these investments were made towards the end of the reporting period. The Implementation Statement produced next year will include full reporting for the new funds.

On behalf of the Trustee of the University of Leeds PAS
August 2022

Stewardship policy

The Trustee's Statement of Investment Principles (SIP) in force as at 31 March 2022 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in March 2022. The Trustee has delegated the exercise of rights attaching to investments, including voting rights and in undertaking engagement activities, to the PAS's investment managers.

Voting activity over the year to 31 March 2022 | Summary

This section provides a summary of the voting activity undertaken by the investment managers within the PAS's Growth Portfolio on behalf of the Trustee over the year to 31 March 2022.

Manager	Legal and General (LGIM)		Ninety One Asset Management		First Eagle Investment Management
Fund name	LGIM UK Equity (5% Capped) Passive Fund	World (ex UK) Developed Equity Index Fund	Ninety One Global Core Equity Strategy	Ninety One Emerging Market Multi Asset (EMMA) Fund	First Eagle Amundi International Fund
Structure	Pooled	Pooled	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.				
No. of eligible meetings	763	2,931	96	131	115
No. of eligible votes	10,720	34,024	1,284	1,443	1,653
Percentage of resolutions voted	100%	100%	97%	94%	92%
Percentage of resolutions abstained	0%	1%	1%	4%	0%
Percentage of resolutions voted with management ¹	93%	79%	90%	90%	97%
Percentage of resolutions voted against management ¹	7%	20%	10%	6%	3%
Proxy voting advisor employed ¹	All three managers use ISS who provide them with research recommendations based on their internal voting policies. The managers consider and discuss this with their respective investment teams to make a decision in the best interest of the shareholders.				
Percentage of resolutions voted against proxy voter recommendation	5%	14%	3%	2%	5%

¹ As a percentage of the total number of resolutions voted on. Values may not sum to 100% due to rounding.

Voting activity over the year to 31 March 2022 | Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a “significant” vote, so for this Implementation Statement the Trustee has asked the investment managers to determine what they believe to be a “significant vote”. The PAS’s equity managers have provided a selection of votes which they believe to be significant, and in the interest of concise reporting a summary of some of the key votes provided by the investment managers is set out below, across environmental, social and governance issues.

Legal and General | Passive equity funds

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	JD Sports Fashion Plc	Mitsubishi UFJ Financial Group, Inc.
Summary of the resolution	Report on Civil Rights Audit	Re-elect Peter Cowgill as Director	Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement
How the manager voted	For	Against	For
Rationale provided for the voting decision	LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2020 they have voted against all combined board chair/CEO roles.	LGIM expects companies to be taking sufficient action on the key issue of climate change.
Outcome of the vote	53.6% supported the resolution	84.8% of shareholders supported the resolution	22.7% of shareholders supported the resolution
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		LGIM will continue to engage on this important ESG issue.
Criteria on which the vote is considered “significant”	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.	LGIM considers this vote to be significant as it is an example of them escalating their voting policy on the topic of the combination of the board chair and CEO.	LGIM views climate change as a financially material issue for clients, with implications for the assets they manage on their behalf. This was also a high-profile proposal in Japan, where climate-related shareholder proposals are still rare.

Ninety One | Global Core Equity Fund

	Vote 1	Vote 2	Vote 3
Company name	Microsoft Corporation	AutoZone	Ferguson Plc
Summary of the resolution	Prohibit Sales of Facial Recognition Technology to All Government Entities	Report on Annual Climate Transition	Authorise UK Political Donations and Expenditure
How the manager voted	Against	For	For
Rationale provided for the voting decision	Ninety One believed that the vote against was warranted as there did not appear to be strong evidence to suggest that management and the board are neglecting a material risk, and the proposal's request is overly prescriptive.	The requested report and targets will allow investors to better assess how the company is managing climate-related risks.	The Company states that it does not intend to make overtly political payments but is making this technical proposal in order to avoid inadvertent contravention of UK legislation.
Outcome of the vote	Passed	Passed	Passed
Criteria on which the vote is considered "significant"	Political vote	Thematic shareholder resolution (environment)	Political vote

Ninety One | Emerging Market Multi Asset (EMMA) Fund

	Vote 1	Vote 2	Vote 3
Company name	Vale SA	Anglo American Plc	Fubon Financial Holding Co., Ltd.
Summary of the resolution	Approve Agreement to Absorb Companhia Paulista de Ferroligas (CPFL) and Valesul Alumínio S.A. (Valesul)	Approve Matters Relating to the Demerger of Thungela Resources Limited	Approve Merger of the Company and Jih Sun Financial Holding Co., Ltd.
How the manager voted	For	For	For
Rationale provided for the voting decision	Ninety One believe the vote was warranted because the company effectively owns 100% of its subsidiary. In addition, the absorption will not result in any transfer of cash or shares away from the company and the company has presented reasonable rationale for the transaction.	Ninety One believe that the strategic rationale provided by the board was compelling, noting the benefits of running the two businesses independently and enabling shareholders to tailor their desired exposure to thermal coal. Existing shareholders could still participate in the potential upside of the demerged business.	A vote for the transaction was warranted as it was strategically sound and the pricing fell within the range advised by an independent valuer and was deemed reasonable.
Outcome of the vote	Passed	Passed	Passed
Criteria on which the vote is considered "significant"		Significant corporate transaction	

First Eagle | Amundi International Fund

	Vote 1	Vote 2	Vote 3
Company name	Danone	Microsoft	Colgate
Approximate size of Fund's holding as at the date of the vote (as % of portfolio)	1.6%	1.5%	1.3%
Summary of the resolution	Re-elect Cecile Cabanis as Director	Report on Gender/Racial Pay Gap	Reduce ownership threshold for shareholders to call special meeting
How the manager voted	Against	Against	Against
Rationale for the voting decision	First Eagle opposed this director because her role at the company has been reduced and they do not understand the importance of her continued presence on the board.	First Eagle believe that the company's current disclosures, which address how the Company is monitoring and managing issues related to pay equity and gender representation throughout its organisation, are sufficient, and that disclosure of a potentially misleading figure could present significant risks for the Company with respect to its retaining, motivating, and attracting employees.	While First Eagle support a threshold lower than the current 25%, they felt that a 10% threshold does not incorporate enough of the shareholder base to support such action and the 10% threshold seemed excessive.
Outcome of the vote	Passed	Failed	Failed
Implications of the outcome	n/a	First Eagle will continue to monitor this issue.	n/a
Criteria on which the vote is considered "significant"	This was against the ISS's recommendation and a top holding in the fund.		

Engagement activity over the year to 31 March 2022

The investment managers may engage with investee companies on behalf of the Trustee. The tables below provide a summary of the engagement activities undertaken by each manager during the year for the relevant funds. Engagement activities are limited for the PAS's LDI due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Engagement overview | Equity Portfolio

Manager	Legal and General	Ninety One Asset Management	Ninety One Asset Management	First Eagle Investment Management
Fund name	LGIM passive equity funds	Ninety One Global Core Equity	Ninety One EMMA	First Eagle Amundi International
Does the manager perform engagement on behalf of the holdings in the fund	Yes	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	n/a*	52	33**	250
Number of engagements undertaken at a firm level in the year	696	337	337	1,062

*LGIM did not provide fund level engagement figures for their passive equity funds. This is because they carry out engagement across all passive equity holdings together, rather than carrying out engagement separately for each individual fund.

**This figure reflects engagement with the wider emerging market universe, not just the Fund's holdings.

Engagement overview | Non-Equity Growth Portfolio

Manager	M&G	Mercer**	Willis Towers Watson	Cairn	Janus Henderson***
Fund name	Real Estate Debt (RED) Funds II, III, IV and V	PIPV Infrastructure	Secure Income Fund	Pathfinder Fund II	Multi-Asset Credit Fund
Does the manager perform engagement on behalf of the holdings in the fund	Yes*	Yes	Yes	No	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	n/a*	Not tracked	48	n/a*	117
Number of engagements undertaken at a firm level in the year	179	Not tracked	150	34	686

* M&G's ability to control and dictate ESG initiatives at the borrower level is limited once an investment has been made, as they do not hold a controlling equity interest where they would be more readily able to influence policy. However, engagement on ESG related issues forms part of the due diligence and initial negotiation process prior to the investment being executed.

**As a fund-of-funds provider, although Mercer engage with the underlying fund managers, they do not engage directly with the underlying holdings within the fund, nor do they currently keep a record of the engagements undertaken by the underlying fund managers. This is partly due to the differing reporting provided by the underlying fund managers on engagement activities within private markets, which makes it difficult to collate and compare between different providers. Mercer are working with the underlying fund managers to improve this reporting for future years.

***The Janus Henderson firm level engagement figure has been provided using data available over the year to 31 December 2021