

University of Leeds Pension and Assurance Scheme Implementation Statement as at 31 March 2021

Purpose of this statement

This 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 2021:

- 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 at 31 March 2021 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 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.

Conclusions

Based on the information provided by the PAS's investment managers, the Trustee believes that its policies on voting and engagement have been followed over the year. In particular:

- The Trustee received an ESG monitoring report from their Investment Consultants in July 2020. This provided the Trustee with an overview of each of the PAS's investment managers' approach to ESG and engagement, and analysed their activity over the year to 31 March 2020.
- Over the year to 31 March 2021 the investment managers in the PAS's Equity Portfolio had low abstentions, showing that they are exercising their right to vote on behalf of the PAS.
- All of the Equity Portfolio managers utilise Institutional Shareholder Services (ISS) as an external proxy voting service. Whilst the investment managers often vote in line with the proxy voting service, this is not always the case. This suggests that the investment managers review the recommendations provided by the proxy service to ensure they are appropriate.
- The examples of key votes show that the investment managers within the Equity Portfolio are voting on issues which they believe could impact shareholder value.
- In terms of engagement, most of the PAS's investment managers have been 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.

Shortly following the year-end, the Trustee completed a review of the PAS's Responsible Investment Policy, which includes consideration of how Environmental, Social and Governance (ESG) issues are taken into account in the PAS's investment strategy. This also includes considering the extent to which the Trustee will seek to achieve consistency with the University's Responsible Investment Policy.

Voting activity over the year to 31 March 2021 | Summary

This section provides a summary of the voting activity undertaken by the investment managers within the PAS's Equity Portfolio on behalf of the Trustee over the year to 31 March 2021. There are no voting rights attached to holdings within the Non-Equity Growth Portfolio, so no voting information is shown for these funds.

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.				
Number of company meetings the manager was eligible to vote at over the year	846	2,645	95	113	123
Number of resolutions the manager was eligible to vote on over the year	11,447	31,896	1,263	1,092	1,752
Percentage of resolutions the manager voted on	100%	100%	92%	92%	94%
Percentage of resolutions the manager abstained from*	0%	0%	3%	6%	0%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on*	93%	80%	88%	87%	96%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on*	7%	20%	9%	8%	4%
Percentage of resolutions voted <i>contrary</i> to the recommendation of the proxy advisor	1%	0%	0%	4%	6%

*Values may not sum to 100% due to rounding.

Voting activity over the year to 31 March 2021 | Significant votes

The Trustee has asked the investment managers to define what they consider to be a “significant vote” at their discretion. In future, the Trustee may consider specifying what it considers to be a “significant vote” for reporting purposes. A summary of some key votes provided by the investment managers is set out below.

Legal and General - UK Equity (5% Capped) Passive Fund

	Vote 1	Vote 2	Vote 3
Company name	Plus500 Ltd	Rank Group	International Consolidated Airlines Group
Date of vote	16 September 2020	11 November 2020	7 September 2020
Summary of the resolution	Approve Special Bonus Payment to CFO Elad Even-Chen at the company’s special shareholder meeting.	Resolution 2 - Approve the remuneration report; and Resolution 3 - Approve remuneration policy.	Approve Remuneration Report
How the manager voted	Against	LGIM supported both resolutions	Against
Rationale provided for the voting decision	LGIM voted against the special bonus based on the belief that such transaction bonuses do not align with the achievement of pre-set targets. LGIM does not support one-off discretionary bonuses (or transaction bonuses) as these are not within the approved policy to reward the achievement of pre-set targets.	The company and its stakeholders have been impacted by the COVID crisis. As an active owner and responsible investor, LGIM wants to ensure this is reflected in the executive remuneration package paid for this year. LGIM was comfortable that the impact of COVID-19 had been appropriately reflected in the remuneration of the executives and therefore decided to support the remuneration report.	LGIM were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. Whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience
Outcome of the vote	Resolution was withdrawn ahead of Annual General Meeting	Resolution 2 - supported by 91% of shareholders Resolution 3 - supported by 96% of shareholders	Passed - 28.4% of shareholders opposed the remuneration report.
Implications of the outcome	LGIM will continue to monitor the Company.	LGIM’s engagement with the company on the topic of remuneration led to an informed vote decision.	The Company has recently appointed a new board. LGIM will continue to engage closely with the renewed board.
Criteria on which the vote is considered “significant”	There was a level of media interest regarding the withdrawal of the resolution. This, combined with the other shortcomings of the company in relation to the expectations of a company listed in London, make this a significant vote.	It illustrates the complexity of remuneration practices and the importance of engagement.	LGIM considers this vote significant as it illustrates the importance for investors of monitoring their investee companies’ responses to the COVID crisis.

Legal and General - World (ex UK) Developed Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Tyson Foods	Fast Retailing Co. Limited.	The Procter & Gamble Company (P&G)
Date of vote	11 Feb 2021	26 November 2020	13 October 2020
Summary of the resolution	Report on Human Rights Due Diligence	Elect Director Yanai Tadashi.	Report on effort to eliminate deforestation.
How the manager voted	Against	Against	For
Rationale provided for the voting decision	<p>The pandemic highlighted potential deficiencies in the application of the company's human rights policies. It is believed that there have been over 10,000 positive COVID-19 cases and 35 worker deaths. As such, the company is opening itself up to undue human rights and labour rights violation risks. LGIM believes that companies in which they invest their clients' capital should uphold their duty to ensure the health and safety of employees over profits. They believe that producing this report is a good opportunity for the board to re-examine the steps they have taken and assess any potential shortfalls in safety measures so that they can improve controls and be better prepared for any future pandemic or similar threat.</p>	<p>Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. On a global level LGIM consider that every board should have at least one female director. Globally, LGIM aspire to all boards comprising at least 30% women. In the beginning of 2020, LGIM announced that they would vote against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for companies included in the TOPIX100 where these standards were not upheld.</p>	<p>Following extensive engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies they invest assets in are not contributing to deforestation. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.</p>
Outcome of the vote	The resolution failed to get a majority support as only 17% of shareholders supported it.	Shareholders supported the election of the director.	Passed - The resolution received the support of 68% of shareholders (including LGIM).
Implications of the outcome	LGIM will continue to monitor the company.	LGIM will continue to engage with and require increased diversity on all Japanese company boards, including Fast Retailing.	LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement.
Criteria on which the vote is considered "significant"	Significant interest from LGIM clients in the outcome of the vote.	LGIM considers it imperative that the boards of Japanese companies increase their diversity.	It is linked to LGIM's five-year strategy to tackle climate change and has attracted a great deal of client interest.

Ninety One Global Core Equity Strategy

	Vote 1	Vote 2	Vote 3
Company name	Johnson and Johnson	NXP	Alphabet
Date of vote	23 April 2020	27 May 2020	3 June 2020
Summary of the resolution	Require Independent Board Chair	Advisory Vote to Ratify Named Executive Officers' Compensation	Establish Human Rights Risk Oversight Committee
How the manager voted	For	Against	Against
Rationale for the voting decision	Ninety One supported an advisory recommendation to the Board about appointing an independent chairperson.	Ninety One believed there was a misalignment between quantitative pay for performance, i.e. the executives' compensation was not justified given the performance of the Company.	Ninety One felt that expertise was needed at a board level first.
Outcome of the vote	Failed	Failed	Failed
Criteria on which the vote is considered "significant"	Thematic vote and previously a contentious issue for the Company.	The resolution came under materially more scrutiny as it is held in Ninety One's sustainability fund.	Thematic vote (Social)

Ninety One Emerging Market Multi Asset (EMMA) Fund

	Vote 1	Vote 2	Vote 3
Company name	Ambev	Haci Omer Sabanci Holding AS	Ternium
Date of vote	24 April 2020	30 March 2021	5 June 2020
Summary of the resolution	Amend Restricted Stock Plan	Approve Upper Limit of Donations for 2021	Re-elect Directors
How the manager voted	Abstain	Against	Against
Rationale for the voting decision	There was a lack of information on the proposed amendments.	Lack of disclosure	Ninety One believed the board lacked sufficient independence among its members.
Outcome of the vote	Not available	Passed	Not available
Criteria on which the vote is considered "significant"	Possible changes as a result of the proposal may affect financial outcome of the Company.	Thematic vote (Social)	Governance concerns deemed material, which may affect the financial outcome of the Company.

First Eagle Amundi International Fund

	Vote 1	Vote 2	Vote 3
Company name	Exxon	Comcast	Richemont
Date of vote	15 May 2020	2 June 2020	31 August 2020
Summary of the resolution	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Require Independent Board Chair	Re-elect Johann Rupert as Director and Board Chairman
How the manager voted	Against	Against	For
Rationale for the voting decision	<p>Last year there was a proposal to reduce the ownership threshold for being able to call a vote to 10%. In response to this proposal, Exxon lowered the threshold from 25% to 15%. This was a substantial reduction, and the new level now compares favourably with direct peers. First Eagle believed the new proposal to lower the threshold to 10% was unnecessary given the efforts put forth by the board in response to the previous proposal, especially when compared with governance best practices.</p>	<p>A shareholder proposal submitted in 2020 requested that the company adopt a policy that the chair of the board be an independent director. First Eagle look at these situations on a case-by-case basis. In this case, Comcast has a lead independent director (Edward Breen) who is empowered to call meetings with all the other independent directors without the CEO present. First Eagle believe this is an effective counterbalance to a non-independent board chair.</p>	<p>ISS (the proxy voting service used by First Eagle) recommended voting against Johann Rupert because of the failure to establish a sufficiently independent board and because he holds an excessive number of mandates at listed companies. First Eagle believe that family-controlled businesses tend to invest with a 10- or 20-year time horizon concentrating on what they can do now to benefit the next generation and mitigate the downside risk. Richemont's emphasis on patience, long-termism and financial prudence dovetails with First Eagle's own investment philosophy and timeframe, so they supported Mr. Rupert in his re-election.</p>
Outcome of the vote	Failed	<p>No vote was reported because it was not presented at the annual meeting by the shareholder proponent and therefore, was not acted upon by the shareholders.</p> <p>However, if the shareholder proposal had been acted upon, this proposal would have been defeated by over a majority of the votes cast based on proxies delivered prior to the closing of the polls for the annual meeting</p>	Passed
Criteria on which the vote is considered "significant"	<p>First Eagle's criteria for determining whether a vote is "significant" is whether engagement with the issuer in respect of corporate governance may have had an impact on the voting decision. First Eagle also take into consideration the size of the holding to determine whether a vote is "significant".</p>		

Engagement activity over the year to 31 March 2021

The Trustee has requested engagement data from the PAS's investment managers, and the tables below set out a summary the engagement carried out by each of the managers over the year. This is followed by some examples of engagement carried out over the year which the PAS's investment managers have provided.

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	Ninety One Global Core Equity	Ninety One EMMA	First Eagle Amundi International
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	n/a*	86	11	242
Number of engagements undertaken at a firm level in the year	974	230	230	1,014

*LGIM did not provide fund level engagement figures for their passive equity funds. This is because they do not currently track the engagement activity for the underlying funds held within passive mandates.

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 of the fund	No*	Engagements are delegated to the underlying managers	Engagements are delegated to the Equity Ownership Services (EOS) at Hermes as well as the underlying managers	No*	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	No	Not tracked	See above	No	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	n/a	Not tracked	737	n/a	106
Number of engagements undertaken at a firm level in the year	65	Not tracked	n/a	26	1,185***

*The nature of the M&G RED funds and the Cairn Pathfinder Fund II means engagement activities are not carried out at a fund level.

**As a fund-of-funds provider, Mercer 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 estimated using data available over the year to 31 December 2020

Examples of engagement activity undertaken over the year to 31 March 2021

LGIM Passive Equities

It came to LGIM's attention that Amazon had been accused of interfering with efforts by its workers to unionise, ahead of a vote by workers in an Alabama facility on unionisation. LGIM signed a letter along with more than 70 other investors to emphasise the role that worker representation plays in supporting companies in identifying and managing operating risks. They highlighted that Amazon should meet expectations set out in the UN Guiding Principles on Business and Human Rights. Amazon have now launched its Global Human Rights Principles. LGIM are also encouraged by the announcement that Amazon have commissioned a human rights impact assessment by an external consultant.

Ninety One Global Core Equity

Rio Tinto – Environmental and controls

There was a mine blast at an Aboriginal heritage site at Juukan Gorge. Ninety One had an initial video call with Simon Thompson, Chairman of Rio Tinto in June 2020 to understand what happened leading up to the blast. A second video call was held in September 2020 with the Chairman following the issue of the independent board report and imposition of fines on the CEO, Head of Iron Ore, Head of Corporate Relations by the company.

On the second call, Ninety One stressed their concern that this incident was symptomatic of a greater cultural issue and they emphasised that they would like to see the board take steps to address this. Following the second call, the subsequent response was that the board met again and announced the resignation of the three executives involved including the CEO.

Ninety One EMMA

Ninety One continue their multi-year engagement with Samsung Electronics regarding various governance issues, including capital allocation and board structure. This interaction focused on board composition and ensuring that a proper oversight function exists. Ninety One have requested the report from the consulting group on compliance once published and have asked for a call with Dr J Kim to assess progress compared with when they last spoke near the start of his term in 2018. This will help assess whether there has been a genuine improvement in board function and engagement.

First Eagle Amundi International

First Eagle wanted to gain a better understanding of the cause for the change in leadership at a European-based multi-national food company, the progress on the search for a new CEO and restructuring of the business, and the impact on employee morale. First Eagle are satisfied with the discussions they have had with the company so far and will continue their dialogue to get more clarity on the CEO succession.

Willis Towers Watson Secure Income Fund

WTW identified emergency social housing as an area that could benefit from institutional capital, while still providing returns. WTW partnered with a specialist manager in this area, who offered them an investment opportunity which provides both an attractive risk and return trade-off, but also allowed the manager to be in a position of injecting much needed capital into an area where there are critical levels of under-investment.

WTW worked closely with this manager to negotiate a set of terms that offer strong governance rights to investors and an attractive fee schedule. Based on ongoing research, WTW identified that credit analysis was an area that the manager could strengthen. They therefore requested that the manager include an independent credit expert, with a right of veto, to their Investment Committee. This individual has now been added.

The portfolio makes a material contribution to emergency accommodation in the UK, providing over 4,100 beds across 650 properties. The Fund offers an attractive yield while at the same time providing accommodation which costs, on average, 69% less than alternative provision.

Mercer

During the year, Mercer completed due diligence on a renewable power co-investment. This is a leading renewable energy developer based in the US that operates wind, solar and geothermal facilities. The lead manager is highly experienced in the sector. While the manager has actively worked towards incorporating ESG principles into its investment and asset management process for their funds, the co-investment only addresses ESG at a high level. After extensive engagement from Mercer with the manager, they have agreed to implement a comprehensive ESG reporting structure and ESG initiatives. Mercer's engagement on this topic helped the manager recognise the urgency behind enhancing their impact capabilities.

M&G

M&G have engaged to ensure relevant investee companies are seeking to identify the use of modern slavery in their supply chains and operations, and to mitigate this use when identified. While M&G does not consider itself the moral compass for their clients, they believe that there is a basic universal expectation that investors will not profit from modern slavery, with reputational risks for those that do. M&G has a policy of engagement with investee companies to face the issue head on. Engagement on human rights and modern slavery is ongoing, encouraging companies to act in line with the "Find it, Fix it, Prevent it" initiative. Investee companies have included Sainsbury's, Upfield, Boohoo, Quadiant, Marston's and TUI.

Janus Henderson

In January 2021, Janus Henderson presented their outline of a potential framework to assess carbon emissions associated with a portfolio of auto loans and leases to a syndicate of banks, including Porsche Bank Austria. Janus Henderson discussed the possibility of making the data available to all market participants with the next iteration of a new issue deal. Porsche Bank Austria indicated that it will conduct an internal review to identify whether delivery and disclosure of this data is feasible.

Janus Henderson believe there is a strong potential for a partnership to bring the first Auto Asset Backed Securities (ABS) deal to the market with clear carbon-related data reporting on the underlying collateral pool. As a result of their discussions with the issuer, Janus Henderson continue to monitor and assess the Auto ABS primary issuance market and engage with issuers with regards to their carbon emission data and how the manager can push for transparency of underlying collaterals' impact on the environment.