

# Implementation Statement

## University of Reading Pension Scheme

### Purpose of this statement

This implementation statement has been produced by the Trustees of the University of Reading Pension Scheme ("the Scheme") to set out the following information over the year to 31 July 2022:

- 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, including information regarding the most significant votes; and
- A summary of any changes to the Statement of Investment Principles (SIP) over the period;
- A description of how the Trustees' policies, included in their SIP, have been followed over the year.

### How voting and engagement policies have been followed

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

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.
- The Trustees undertook an initial review of the stewardship and engagement activities of the current managers at their **1 August 2019** meeting, and were satisfied that their policies were reasonable and no remedial action was required at that time.
- The Trustees obtained training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments.
- Annually the Trustees receive and review voting information and engagement policies from both the asset managers directly and via the platform provider, Aviva, which the Trustees review to ensure alignment with their own policies. This exercise was first completed at **the 21 October 2020 Trustees' meeting** and will take place again at **the 7 February 2023 Trustees' Meeting**.

Having reviewed the above in accordance with their policies, the Trustees are comfortable that the actions of the fund managers are in alignment with the Scheme's stewardship policies.

## Voting Data

This section provides a summary of the voting activity undertaken by the investment managers on behalf of the Trustees over the year to 31 July 2022. The L&G (PMC) Pre-Retirement Fund, BlackRock Institutional Sterling Liquidity Fund and BlackRock Over 5 Year Index-Linked Gilt Index Tracker have no voting rights and limited ability to engage with key stakeholders given the nature of the mandate.

Manager	BlackRock	LGIM	HSBC
<b>Fund name</b>	BlackRock Aquila Life (30:70) GBP Hedged Global Equity Index	LGIM Diversified Fund	Islamic Global Equity Index
<b>Structure</b>	Pooled	Pooled	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.
<b>Number of company meetings the manager was eligible to vote at over the year</b>	2,551	9,490	107
<b>Number of resolutions the manager was eligible to vote on over the year</b>	34,595	97,430	1,652
<b>Percentage of resolutions the manager voted on</b>	94%	100%	96%
<b>Percentage of resolutions the manager abstained from</b>	2%	1%	0%
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	74%	77%	83%
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b>	23%	22%	17%
<b>Percentage of resolutions voted contrary to the recommendation of the proxy advisor</b>	19%	13%	10%

The proportion of resolutions that were voted on and abstained from may not sum to 100%. This can be due to how the investment manager or local jurisdictions define abstentions or classify a formal vote or abstention as opposed to not returning a voting form or choosing to nominate a proxy.

## Significant votes

We have delegated to the investment managers and Aviva to define what a “significant vote” is. A summary of the data and narratives that they have provided is set out below.

### BlackRock Aquila Life (30:70) GBP Hedged Global Equity Index

BlackRock provided details of ten significant votes, two of which have been randomly selected and are set out below. Details of other votes can be requested from BlackRock.

	Vote 1	Vote 2
<b>Company name</b>	Toshiba Corporation	Microsoft Corporation
<b>Date of vote</b>	24/03/2022	30/11/2021
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.02%	2.74%
<b>Summary of the resolution</b>	Resolution 1. Seek Confirmation of Shareholders' Views on Proceeding with the Examination of Strategic Reorganization	Resolution 6. Report on Effectiveness of Workplace Sexual Harassment Policies
<b>How the manager voted</b>	Voted against the resolution.	In favour (exceptional basis).
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Yes	No
<b>Rationale for the voting decision</b>	While the strategic reorganization is an improvement over the status quo, it remains unclear based on the information disclosed so far whether the implementation risk compensates investors vs. other alternatives. In addition, there are some concerns about the board composition, with the interim CEO yet to receive a vote of confidence from shareholders. Furthermore, the former CEO and the Vice President, both of whom, were instrumental in initiating the company split abruptly resigned from the board.	It is important to support this resolution as the company faces potential controversies related to workplace sexual harassment and gender discrimination. This is a risk area for the sector and the company that is key for talent attraction and retention. The importance of additional information on the company's sexual harassment policies and the implementation of these policies, in order to better assess how the company is addressing such risks and how better disclosure in the best interest of shareholders.
<b>Outcome of the vote</b>	The resolution was not approved (39.5% supported)	The resolution was approved (received 77.97% support)
<b>Implications of the outcome</b>	Management's plan to spin off Toshiba's devices unit and the separate call to seek buyout offers both failed to gain the required 50% of the vote. The outcome means there will be no immediate end to a multi-year scandal and battle between management and foreign activist hedge funds. Opposition to Toshiba's plans to break up the company had been widespread so the company is now expected to revise its restructuring plan. In May 2022 the company announced that it would be appointing candidates from its largest	BlackRock are engaging with the company on related shareholder proposals and they will continue to support shareholder resolutions which are in the best interest of shareholders.

	Vote 1	Vote 2
	shareholders to serve as directors. This increases the likelihood of privatisation especially as a staunch opponent of a buyout will step down from the board. Whilst clearly not independent, these shareholder representatives should strengthen the alignment between shareholders and management.	
<b>Criteria on which the vote is considered "significant"</b>	This vote was selected as it was commercially significant..	This vote was selected as it was a shareholder resolution which received overwhelming support against management recommendation.

### LGIM, LGIM Diversified Fund

LGIM provided details of 609 significant votes, two of which have been randomly selected and are set out below. Details of other votes can be requested from LGIM.

	Vote 1	Vote 2
<b>Company name</b>	Xcel Energy Inc.	Mid-America Apartment Communities, Inc.
<b>Date of vote</b>	18/05/2022	17/05/2022
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	<0.1%	<0.1%
<b>Summary of the resolution</b>	Resolution 1b - Elect Director Bob Frenzel	Resolution 1h - Elect Director Claude B. Nielsen
<b>How the manager voted</b>	Against	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	
<b>Rationale for the voting decision</b>	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.	Diversity: A vote against is applied as the company has an all-male Executive Committee.
<b>Outcome of the vote</b>	95.5% of shareholders supported the resolution	90.1% of shareholders supported the resolution.
<b>Implications of the outcome</b>	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 with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
<b>Criteria on which the vote is considered "significant"</b>	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of	LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.

**Vote 1**

**Vote 2**

engagement by vote). 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 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.

**HSBC Global Asset Management, Islamic Global Equity Index**

HSBC provided details of ten significant votes, two of which we have randomly selected and are given below. Details of other votes can be requested from HSBC Global Asset Management.

	<b>Vote 1</b>	<b>Vote 2</b>
<b>Company name</b>	AztraZeneca	Meta Platforms, Inc.
<b>Date of vote</b>	29/04/2022	25/05/2022
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	1.04%	2%
<b>Summary of the resolution</b>	Approve remuneration report.	Shareholder proposal seeking a report on user risk and advisory vote on Metaverse Project.
<b>How the manager voted</b>	Against	For (against management recommendation)
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	They did not on this occasion.	They explained their vote intentions at the meeting ahead of the AGM.
<b>Rationale for the voting decision</b>	The company is on HSBC's UK Excessive Pay watchlist, which means the quantum of the CEO pay is beyond what they believe fair and appropriate for the size and complexity of the business.	During their engagement with Meta, it confirmed that human rights risks of Metaverse is yet to be included in its agenda for disclosure, and they believe these are important issues that the company should report on.
<b>Outcome of the vote</b>	The resolution passed.	The shareholder proposal did not pass.
<b>Implications of the outcome</b>	HSBC plan to raise their concern at the company and will likely to vote against such a proposal should there be no improvements.	HSBC will continue to engage on this and a wide range of issues at the company.
<b>Criteria on which the vote is considered "significant"</b>	The company is on HSBC's 2022 engagement focus list and they voted against management due to their new policy.	The company is on HSBC's 2022 engagement focus list and they supported a shareholder proposal which ISS recommended voting against.

## Fund level engagement

Please note that where there is no entry in the following table, we did not receive that information from the Investment Managers.

Manager	BlackRock	LGIM	HSBC
<b>Fund name</b>	BlackRock Aquila Life (30:70) GBP Hedged Global Equity Index	LGIM Diversified Fund	HSBC Global Asset Management
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes	Yes	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes	Yes	Yes
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	-	-	53
<b>Number of engagements undertaken at a firm level in the year</b>	1,461	706	4,500+

## Examples of engagements undertaken with holdings in the fund or by the firm as a whole

### Aviva

Aviva provided details of five examples of engagement, two of which have been randomly selected and are set out below. Details of other engagements can be requested from Aviva.

#### Positive engagement on social issues with airlines

Aviva were concerned about staff treatment in the airline sector as the COVID-19 crisis unfolded, both from a safety perspective and the potential for significant job losses due to worldwide travel restrictions.

Aviva met with Delta Airlines and Ryanair management to make their position clear that staff needed to be protected. They were encouraged to learn Delta had implemented safety protocols, including a robust home-testing programme for employees. The company also provided full-pay protection and set up a vaccination site at its offices. Aviva were also pleasantly surprised Ryanair took early action to minimise job losses relative to other airlines. Pay reductions agreed were to be fully restored in future years and all staff had the opportunity to liaise with management, including the CEO.

#### Progressing on respecting digital rights

Aviva fundamentally believe telecommunications companies and digital platforms should have robust and systematic human rights processes throughout their operations and value chains. This includes users' rights to freedom of expression, information, and privacy. They are strong supporters of the Ranking Digital Rights (RDR) index, a benchmark that evaluates and ranks digital platforms and telecommunications companies on their disclosed policies and practices affecting users' rights to freedom of expression, information, and privacy.

In 2021, Aviva joined forces with 77 other investors representing USD 5.9 trillion in assets under management. The initiative has been coordinated by the Investor Alliance for Human Rights. The investor group have called for ICT companies to respect digital rights in an investor statement sent to all 26 companies ranked by the index. In addition to signing this statement on Corporate Accountability for Digital Rights, Aviva have been active members of the initiative's engagement programme. In 2021, they have led three company engagements and were supporting investors for 12 others.

### **BlackRock**

BlackRock have many examples of engagement that they can provide, with lots of information provided at <https://www.blackrock.com/corporate/about-us/investment-stewardship>. Below are two randomly selected examples of BlackRock's engagement.

### **Imperial Brands (UK)**

BlackRock have had multiyear engagements with Imperial Brands Plc to discuss various corporate governance and business issues. In 2021 BlackRock did not support the re-election of five directors who were members of the Nomination and Governance Committee for inadequately accounting for diversity on the board. In the following months, however, the board appointed two female directors, one of whom is also from a racial/ethnic minority group. The company also hired two female senior executives (one of which, who identifies as from a racial/ethnic minority group, joined the Executive Leadership Team as President and CEO of the US Region), thus adding diversity at the executive management level. During their engagements with the company's board chair, BlackRock heard about the hiring process and strategy to enhance diversity.

### **Complexities of board independence and engagement**

As companies continue to advance toward meaningful diversity in the board room, academic research suggests that members of an under-represented community should be at least 30% of a group to influence the group's dynamics and decision-making. In the US and Canada, BlackRock encourages companies to have at least two women on their boards and to have at least one director who identifies as a member of an underrepresented group; in total, they believe boards should aspire to 30% diverse membership and look to the largest companies for continued leadership toward these goals. Across many European markets, quotas, or other market-wide standards expect or encourage female representation on boards of 30% or higher, so BlackRock look for companies in the region to have plans to reach this goal.

BlackRock have also introduced minimum gender diversity into our voting guidelines for many Asian countries in line with developments in local listing rules and corporate governance norms.

### **LGIM**

LGIM have many examples of engagement that they can provide, with lots of information provided at <http://www.lgim.com/responsibleinvestment>. Below is an example of LGIM's engagement.

LGIM, together with ShareAction, other asset owners and asset managers, has co-filed a shareholder resolution calling on Sainsbury's to become a living-wage accredited employer by its AGM in 2023. With over 600 supermarkets, more than 800 convenience stores, and nearly 190,000 employees, Sainsbury's is one of the largest supermarkets in the UK. Although Sainsbury's is currently paying higher wages than many other listed

supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living-wage accredited.

LGIM decided to co-file this resolution because of Sainsbury's decision to split its London employees into 'inner' and 'outer' London, with those in 'outer' London paid less than the real living wage of £11.05 per hour ('outer' London employees were offered £10.50 per hour). Although the hourly rate differential appears small, when multiplied by the total hours worked, this would make a material impact on affected employees' ability to meet the demands of the cost-of-living crisis as inflation costs soar and the economy struggles to recover from the effects of the COVID-19 pandemic.

## **HSBC**

HSBC provided details of five examples of engagement, two of which have been randomly selected and are set out below. Further examples can be found at <https://www.assetmanagement.hsbc.com/about-us/responsible-investing/stewardship>.

### **Climate Action (Mining)**

In an engagement with the Chief Sustainability Officer (CSO) and her team, HSBC discussed a range of climate related issues with BHP (UK/Australia), one of the world's largest producers of iron ore, mining and a range of other minerals. On the just transition plan, HSBC highlighted expectations from the latest sets of IPCC reports. They asked BHP to consider more nature-based approach to land restoration, as well as formally requesting a more structured plan on how the company identify assets subjected to physical impact and its just transition strategy for customers, suppliers, employees and local communities. At a live engagement with the Chief External Affairs Officer Caroline Cox, HSBC assessed the quality of its just transition plan, closely connected to the new social value framework that BHP formally launched on 28 June 2022. They questioned BHP on how migrants issues mediation processes are factored into just transition strategy.

BHP acknowledged their key concerns and published the social value framework which is part of its just transition strategy aligned with the promise made in Q1 2022 during the engagement. The assessment also covers nature positive commitment, land restoration and a responsible water strategy.

### **Social: workforce disclosures**

Social reporting varies greatly from company to company. It can be ambiguous, and lacks agreed standards, making it hard to compare. HSBC think this is particularly true in the field of workforce management, a key social investment factor. As such, they are a supporter of the Workforce Disclosure Initiative, which was set up to support the creation of better-quality jobs at corporates. The WDI's 'theory of change', is that by improving workforce reporting and disclosure, companies will learn about gaps in their workforce management plans, fill them, and thus improve outcomes for workers.

HSBC took responsibility for engaging with 60 companies, asking them to participate for the first time, or to continue disclosing. Companies were selected based on the size of our holding in the company, the quality of their existing social reporting, the needs of our portfolio managers and analysts, and the materiality of workforce issues to business performance.

## **How the SIP has been followed over the year**

In the Trustees' opinion, the Statement of Investment Principles has been followed over the year in the following ways:



- The Scheme offers a suitable default strategy for members. This was reviewed at the 1 August 2019 Trustees' Meeting and believed to be appropriate based on the membership profile of the Scheme at that time. The Trustees would reconsider this review in 2022 noting that the membership profile implied that a target of cash and/or drawdown at retirement may now be more suitable than annuity. The Trustees decided to change the default strategy for members (implementation to be carried out in 2023) and that the suggested replacement will include ESG factors.
- The Scheme offers a range of self-select fund options which give members a reasonable choice from which to select their own strategy. The self-select fund range was reviewed at the 1 August 2019 Trustees' Meeting and believed to be appropriate at that time. The Trustees reviewed this in 2022 and concluded that the existing funds remained appropriate given the general low level of interest members had expressed in these options.
- The Trustees monitor the performance of each manager's funds quarterly to ensure that the funds are meeting their stated objectives. Their Investment Consultants and managers provide quarterly reports for review and should an urgent issue develop, would make immediate contact with the Trustees.
- The Trustees also consider the performance of each manager's funds in context of their investment strategy and should their investment consultant identify any concerns, a review of that area of investment strategy would be initiated.
- The Trustees initially considered the ESG capabilities of each of the Scheme's managers at the meeting on 1 August 2019 and agreed that the managers' policies are reasonable. No action was taken as a result of this exercise.
- Annually the Trustees receive and review voting information and engagement policies from both the asset managers directly and via the platform provider, Aviva, which the Trustees review to ensure alignment with their own policies. This exercise was first completed at **the 21 October 2020 Trustees' meeting** and will take place again at **the 7 February 2023 Trustees' Meeting**.
- The Trustees have made no new manager or fund appointments over the year.