

# Aberystwyth University Pension & Assurance Scheme – Annual Engagement Policy Implementation Statement

## Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees, has been followed during the year to 31 July 2023. This statement has been prepared in accordance with The Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

## Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set.

The Trustees' objective, as set out in the SIP, is to invest the Scheme's assets in the best interests of the members and beneficiaries. Within this framework, the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed.

The Trustees' investment policy is guided by their aim to generate an investment return, over the long-term, which is consistent with the long-term actuarial assumptions under which the funding plan has been agreed. The Trustees are prepared to take some risks in order to achieve this objective, including investing in equities, alternative assets and non-government bonds, and by using active fund managers to manage some of the Scheme's assets. The Trustees' ability and willingness to take such risk is subject to the principles outlined in Section 5 of the SIP.

## Review of the SIP

The Trustees have not reviewed or made any updates to the Scheme's SIP over the year under review. The latest SIP was signed in September 2020, a copy of which is publically available at <https://aber.ac.uk/en/media/departmental/humanresources/employmentinformation/AUPAS-statement-investment-principles.pdf>.

## Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on ESG factors, including stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees have given the appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Apart from those exercised by the investment managers on behalf of the Trustees, no engagement activities were undertaken and the Trustees do not use the direct services of a proxy voter.

The following work was undertaken during the year to 31 July 2023 relating to the Trustees' policy on ESG factors, including stewardship and climate change, in particular focusing on how the Trustees' engagement and voting policies were followed and implemented during the year.

## Engagement and Voting Activity

The Trustees do not hold securities directly, but instead invest in pooled investment vehicles. The Scheme has no direct ownership of the underlying securities in which the pooled funds invest and therefore no voting rights in relation to the Scheme's investments. The Trustees have given the investment managers full discretion for exercising the voting rights and stewardship obligations attached to the underlying investments of the funds. An investment performance report is reviewed by the Trustees on a quarterly basis, which includes the investment consultant's general and ESG specific ratings for the strategies in which the Scheme invests. Should any of the investment consultant's ratings be downgraded, the Trustees would review the reasons for the change. The Trustees might also decide to engage with the investment manager to understand if the manager's ESG policies are still aligned with the Trustees' policies. No such review was required over the year under review and the Trustees were satisfied that the level of ESG ratings remained acceptable.

In addition, the Trustees review the appointed investment managers' policies and engagement activities (where applicable) on an annual basis and have considered the managers' latest reporting in this regard over the course of the year. A number of the Scheme's investment managers produce quarterly reports, which include details of ESG considerations and how the managers engage with underlying investee companies.

The Trustees (with help from the investment consultant) will also consider how ESG factors are taken into account within the manager's decision-making process when implementing any new investments or manager appointments. The Trustees did not appoint any new managers over the period.

In order to implement the desired strategy, the Trustees appoint investment managers that are signatories to the UN Principles for Responsible Investment ('PRI') and the Financial Reporting Council's UK Stewardship Code wherever this is possible. All of the Scheme's current managers are signatories to both the PRI and the UK Stewardship Code at the time of writing.

Following the Department of Work and Pensions' consultation response and outcome regarding Implementation Statements on 17 June 2022, updated guidance was produced which is effective for all scheme year ends on or after 1 October 2022. The updated guidance requires trustees to include a description of what constitutes a significant vote within Implementation Statements (amongst other things). A significant vote is defined within the updated guidance as one that is linked to the Scheme's stewardship priorities/themes, although a vote could also be significant for other reasons, e.g. due to the size of holding. The Trustees' definition of what represents a significant vote is based on the following key stewardship priorities/themes:

- Climate change – For example, a vote requiring publication of a strategy that is aligned with the Paris Agreement.
- Biodiversity – For example, a vote to influence a company to address the impact of biodiversity loss.
- Community outreach – For example, a vote that relates to how the entity interacts with the communities in which it operates.
- Board diversity – For example, a vote against the Chair of the nomination committee where the board is not sufficiently diverse or a vote against a director who is not independent.

The Trustees determined these priorities based on their ESG beliefs, taking into account the University's values, objectives and sustainability targets. The Trustees only consider a vote to be significant if it relates to a holding that represents at least 1% of the relevant fund (where data is available). The investment managers are aware of the Trustees' policies on stewardship and engagement.

The remainder of this statement contains further information in relation to the voting and engagement activity carried out by the Scheme's investment managers on the Trustees' behalf over the course of the year.

## **Invesco**

In 2022, Invesco voted globally on 13,138 meetings (98% of those available for them to vote). Invesco voted against management at least once at 57% of meetings.

With regard to the Global Targeted Returns Fund, in which the Scheme invests, Invesco have provided details of a number of engagements with companies for the 12 month period to 30 June 2023. The Trustees consider the following votes to be significant, based on the aforementioned definition of what the Trustees believe constitutes a significant vote.

Company	Approx. size of holding	Stewardship priority	Summary of resolution	Date	How Invesco voted	Manager rationale	Outcome
Dollarama Inc	>1%	Climate change & Board diversity	Shareholder resolution for the Company to report on Emissions and Gender Target and its Overall Significance on the Company's ESG Strategy.	26 May 2023	Against (in line with management)	The proponent's statement lacked evidence that the company lagged its peers relating to disclosure on Sustainable Performance Targets ('SPTs') and existing ESG practices. As such, it appeared that additional disclosure on SPTs would do little to further enhance shareholder value.	Resolution failed
PT Astra International Tbk	>1%	Board diversity	Company resolution to elect Directors and Commissioners and approve their remuneration.	11 April 2023	For (in line with management)	No significant concerns were identified.	Resolution passed

## Insight

The Insight Broad Opportunities Fund, in which the Scheme invests, seeks to generate long-term capital growth through dynamic allocation across a variety of asset classes. The strategy adopts a global macro approach and uses derivatives, market index-based securities, listed closed-end investment companies (direct holdings) and pooled funds to gain the desired exposure to each of the underlying asset classes.

The asset classes accessed in the strategy offer different ways to adopt a responsible investment approach.

- Insight use derivative instruments extensively and have long been proponents of developing these markets to support responsible investors. Following an extensive review of instruments, Insight began using ESG-screened equity derivatives early in 2020.
- In fixed income, to access certain exposures the strategy can invest in Insight-managed pooled vehicles. For such capabilities, ESG considerations are a fundamental part of Insight's corporate and sovereign research and engagement processes.
- The strategy's direct holdings in listed closed-end infrastructure companies provide a different scope for engagement than market-based exposures. In 2020, Insight collaborated with an external entity to develop a proprietary ESG questionnaire for the strategy's infrastructure holdings. The questionnaire helps to assess ESG credentials across different sectors and to identify areas for future engagement. In relation

to the portfolio's 11 infrastructure holdings, Insight undertook 34 engagements during the 12 month period to the 30 June 2023 and also engaged with 3 companies not held in the portfolio.

As active owners of the strategy's direct holdings, Insight exercise their stewardship role through regular engagement with investee management and company boards to discuss a range of relevant issues including governance, strategy and implementation of a responsible investment approach. The Insight Broad Opportunities Fund was eligible to vote at 11 meetings, which included 188 resolutions over the year to 30 June 2023. Of these resolutions, Insight voted with management 100% of the time. None of the votes were deemed to be significant based on the Trustees' definition of what constitutes a significant vote.

Insight uses Minerva Analytics to analyse any resolutions against their specific voting policy templates. Minerva reviews each vote against Insight's specific criteria and provides a recommendation for each item. Insight votes in line with the recommendations of the proxy-voting agent.

## CBRE

As a property fund of funds, the underlying assets in which the Scheme invests carry no voting rights. CBRE have provided the Trustees with a summary of engagements and outcomes with underlying fund managers over the course of the year. Two examples which relate to the Trustees' priority areas are set out below.

Underlying fund	Summary of engagement	Outcome
<b>Industrial Property Investment Fund ('IPIF')</b>	Following a review of IPIF's ESG Scorecard, which CBRE use as an internal tool to measure performance relative to other funds, CBRE identified potential areas for improvement. CBRE engaged with the manager to understand how they would look to improve performance regarding a variety of ESG-related data points; key topics included: (i) Building Certifications, (ii) net zero carbon targets, (iii) GRESB Performance and (iv) Utility Data Coverage.	The Fund Manager provided sufficient responses to CBRE regarding what measures they would be undertaking to further improve ESG performance across the fund.
<b>Ardstone UK Regional Office Fund</b>	CBRE engaged with the manager to explain how the Moody's ESG Solutions' Physical Risk Tool worked and highlight a list of assets the tool had flagged as having high or critical risk exposure to one of the six climate hazards (wildfires, water stress, sea level rises, hurricanes and typhoons, heat stress and floods) if the temperature of the planet rises. CBRE asked the manager to develop asset management plans to mitigate against these risks.	Ardstone responded that it had put in place a plan to dispose of both assets flagged as being at high risk.

### **Columbia Threadneedle**

As a liability driven investment manager, the underlying assets in which the Scheme invests carry no voting rights and there is limited scope for engagement. However, Columbia Threadneedle have a strong engagement program with their counterparties and responsible investing is a core component of Columbia Threadneedle's beliefs.

### **LGIM**

As a bond manager, the underlying assets in which the Scheme invests carry no voting rights. However, as a firm, LGIM believe that responsible investing is crucial to mitigating risk, capturing opportunities and strengthening long-term returns. Active engagement with companies and policy-makers is a key component of their approach.