

University of Edinburgh Staff Benefits Pension Scheme - Implementation Statement in line with 2019 DB Regulations and 2024 General Code of Practice

Statement of compliance with the University of Edinburgh Staff Benefits Pension Scheme's Stewardship Policy for the year ending 31 March 2024.

Introduction

The Trustee has prepared this Implementation Statement in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the Pensions Regulator's General Code of Practice. It sets out how the Trustee has complied with the University of Edinburgh Staff Benefit Scheme's Stewardship Policy as set out in Statement of Investment Principles <https://www.uoesbspensions.co.uk/resources/statement-of-investment-principles-november-2023/> during the period from 1 April 2023 to 31 March 2024.

Overall, the Trustee is satisfied that:

- The Scheme's investments have been managed in accordance with the Scheme's Stewardship Policy during the period;
- The Scheme's investments have been managed in accordance with the remainder of the Scheme's Statement of Investment Principles; and
- The provisions of the Statement of Investment Principles remain suitable for the Scheme's members.

Statement of Investment Principles

The Trustee has prepared this Implementation Statement on the basis of the Statement of Investment Principles in force throughout the period, with reporting within this document in line with the Statement of Investment Principles applicable at the relevant time.

Scheme Year Investments

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee has overall responsibility for how the Scheme's investments are governed and managed, in accordance with the Scheme's Trust Deed and Rules, as well as Trust Law, Pensions Law and Pension Regulations.

The Trustee sets objectives for its investment advisor and annually reviews how well the investment adviser meets these objectives, which are designed to align with the Trustee's own objectives and investment strategy set out in the Statement of Investment Principles.

The Trustee has carried out an evidence-based review of the investment adviser's performance against these objectives and the Trustee was satisfied that the objectives had been achieved during the year.

The Trustee has undertaken training during the last year to ensure that its knowledge of investment matters remains up to date. Training topics included: Net Zero and the latest guidance issued by The Pension Regulator ("TPR") on using leveraged Liability Driven Investment ("LDI").

The investment risks relating to the Scheme are described in the Statement of Investment Principles (SIP) on pages 4-5 and the expected return is described in the SIP on page 3.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what type of assets and areas of the world the Scheme invests in over the longer-term), and the style of management adopted by the Scheme.

The Trustee expects fund managers to invest the Scheme's assets in the members' best interests. The fund managers appointed by the Trustee are expected to exercise voting power (where applicable) with the objective of preserving and enhancing long-term shareholder value. The Trustee meets regularly with the fund managers to monitor their performance, whilst asking them to evidence the implementation of environmental, social and governance risk factors into their investment decision-making, including voting rights.

The Scheme's asset managers have conflicts of interest policies in place. Managers have not disclosed any potential or actual conflict over the period.

Stewardship Policy

The Trustee's Stewardship Policy sets out how the Trustee will behave as an active owner of the Scheme's assets. It includes the Trustee's approach to:

- The exercise of voting rights attached to assets; and
- Undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Scheme's Stewardship Policy can be found within the Scheme's Statement of Investment Principles, at <https://www.uoesbspensions.co.uk/resources/statement-of-investment-principles-november-2023/>.

The Scheme's Stewardship Policy is reviewed on a periodic basis in line with the Scheme's Statement of Investment Principles, which was last updated on 22 November 2023.

There were no changes made to the Stewardship Policy over the Scheme year ending 31 March 2024.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that its investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on its dialogue with its investment managers which is undertaken in conjunction with its investment advisers. The Trustee meets regularly with its managers and the Trustee reviews stewardship implementation both during these meetings and through reporting provided by its investment adviser.

The Trustee also monitors its compliance with the Stewardship Policy on a periodic basis and is satisfied that it complied with the Policy over the last Scheme year ending 31 March 2024.

Voting Activity

The Trustee seek to ensure that managers are exercising voting rights and, where appropriate, monitor managers' voting patterns. The Trustee also monitor votes cast by managers on particular companies or issues that affect more than one company.

The Trustee invests in listed equities through two mandates. The Scheme's investment manager has reported on how votes were cast in each of these mandates as set out below.

| | Baillie Gifford Global Alpha Paris- Aligned Fund | LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund |
|--|--|---|
| Proportion of Scheme assets (as at 31 March 2024) | 11.3% | 11.5% |
| No. of meetings eligible to vote at during the year | 93 | 3,291 |
| No. of resolutions eligible to vote on during the year | 1,278 | 37,038 |
| % of resolutions voted | 96.0% | 99.9% |
| % of resolutions voted with management | 95.2% | 79.3% |
| % of resolutions voted against management | 3.4% | 20.4% |
| % of resolutions abstained | 1.4% | 0.4% |
| % of meetings with at least one vote against management | 23.7% | 68.1% |

Note: Percentage totals may not equal 100% due to rounding.

LGIM has voted against a greater proportion of management resolutions over the year. This is typical of passive mandates that track an index with little choice over stock selection, versus an active manager being able to exercise choice when selecting investments. It is also indicative of LGIM exercising active stewardship through frequently taking a stance against management. The LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund invests across a high number of companies across various sectors and countries. This includes in emerging markets, where governance practices are not as high as in developed markets, leading to a higher proportion of votes against management.

The resolutions the Scheme's managers, in aggregate, voted against management the most on over the period were mainly in relation to:

- General governance (e.g. boards of directors, remuneration, audit);
- Climate issues; and
- Shareholder proposals.

Significant Votes

The Trustee has asked its managers to report on the most significant climate related votes cast within the portfolios they manage on behalf of the Scheme, as this aligns with a key priority area for the Trustee. Managers were asked to explain the reasons why votes were deemed significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. From the manager reports, the Trustee has identified the following votes as being of greater relevance to the Scheme:

Baillie Gifford Global Alpha Paris-Aligned Fund – Martin Marietta Materials (1.19% allocation), 11 May 2023

Baillie Gifford voted for a resolution to set Science Based Target Initiative (“SBTi”) carbon emissions reduction targets for Martin Marietta Materials.

Baillie Gifford supported the shareholder resolution for Martin Marietta Materials to set SBTi carbon emissions reduction targets, alongside a comprehensive plan to meet these, across its entire operational and supply chain emissions.

Upon Baillie Gifford engaging with Board, Martin Marietta Materials requested a period longer than the set out 12 month timeframe to complete the SBTi targets. However, Baillie Gifford believed that continuing to support the initial proposed timeframe of 12 months would be beneficial to investors and, more widely, be aligned with the Paris Agreement. As such, Baillie Gifford voted for the shareholder resolution and against management.

Although the resolution did not receive majority shareholder approval, Baillie Gifford communicated its decision on this to Martin Marietta Materials and continue to monitor ongoing progress on this.

This resolution is significant as it was submitted by shareholders and received greater than 20% of shareholder support and Baillie Gifford supported the resolution, against management. Additionally the vote is in a key area of importance for the Trustee, as a climate-related resolution.

LGIM’s RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund – Mitsubishi UFJ Financial Group, Inc. (0.28% allocation), 29 June 2023

LGIM voted for a resolution to amend Mitsubishi Financial Group’s (“Mitsubishi”) articles of incorporation to also publish a carbon transition plan – in order for Mitsubishi’s current lending and investment portfolios to align with the Paris Agreement. LGIM believe the decarbonisation of the banking sector is crucial in meeting the goals of the Paris Agreement.

Following a group of climate-focused Non-Governmental Organisations actively encouraging decarbonisation in the Asian banking market for several years, the first climate-related shareholder proposal of its kind was submitted to Mizuho, at its 2020 AGM. Since then, LGIM has supported similar climate-related resolutions at AGMs across other Japanese banks. LGIM has found these climate-related proposals, and ensuing shareholder conversation, has helped drive improvements in disclosures and tighter policies at these Asian banks.

Therefore, LGIM also voted for the resolution at Mitsubishi, to publish a carbon transition plan – to further strengthen Mitsubishi’s decarbonisation policies, in line with global science-based temperature-aligned pathways towards Net Zero by 2050. LGIM also believe the carbon transition plan was not overly prescriptive, given the binding nature of amending articles of incorporation.

Although the resolution did not receive majority shareholder approval, LGIM continue to advocate for the decarbonisation of the banking sector, in efforts towards meeting the goals of the Paris agreement.

This resolution is significant as LGIM pre-declared its intention to support the resolution, against management recommendation. Additionally the vote is in a key area of importance for the Trustee, as a climate-related resolution.

Engagement Activity

Summary of Trustee engagement with managers

The Trustee holds meetings with its Scheme’s investment managers on a regular basis . Over the last 12 months, the Trustee has met with 4 of its 6 managers. During these meetings, the Trustee has discussed Environmental, Social, Governance (“ESG”) factors and stewardship issues in further detail.

The key topics discussed include: following the Scheme’s switch from the core Baillie Gifford Global Alpha Fund in May 2023, the Baillie Gifford Global Alpha Paris-Aligned Fund and the social impact of properties held in the LGIM Build To Rent Property Fund.

Summary of Manager Engagement Activity

The Trustee receive reporting on Baillie Gifford’s engagement activity. The following table summarises their Baillie Gifford Global Alpha Paris-Aligned Funds’ key engagement activity for the 12-month period ending 31 December 2023.

| Topics Engaged On | Number of Engagements |
|-------------------|-----------------------|
| Environmental | 34 |
| Social | 12 |
| Governance | 78 |
| Strategy | 2 |

Note: Engagements may cover more than one topic.

Over 2023, the Baillie Gifford Global Alpha Growth Paris-Aligned Fund carried out 86 discussions with companies held within the portfolio covering the engagements in the above table. The main methods of engagement were meetings and calls.

The Trustee receive reporting on LGIM’s engagement activity. The following table summarises LGIM’s key engagement activity for the 12-month period ending 31 December 2023.

| Topics Engaged On | Number of Engagements |
|-------------------|-----------------------|
| Climate Change | 1,760 |
| Deforestation | 171 |
| Remuneration | 226 |
| Diversity | 226 |
| Strategy | 75 |

Note: Engagements may cover more than one topic.

Over 2023, LGIM carried out 2,500 engagements. The main methods of engagement were written engagements, meeting and calls.

Use of a Proxy Adviser

The Scheme's investment managers have made use of the services of the following proxy voting advisers over the Scheme year:

| Manager | Proxy Advisor used |
|-----------------|--------------------|
| Baillie Gifford | ISS/Glass Lewis |
| LGIM | ISS |

Review of Manager's Responsible Investment Policies

Where appropriate, the Trustee will review investment managers' Responsible Investment policies. The review will consider the managers' broader approach to responsible investment issues, in addition to considering any change in approach by the managers' over the period. The Trustee may also considered changes to its managers' voting policies.

The Trustee and its investment advisers remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Scheme.

Prepared by:

Trustee of the University of Edinburgh Staff Benefits Scheme

September 2024